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A forum for analysis and commentary, with an emphasis on individual liberty. October 1978/Vol. 10, No. 6

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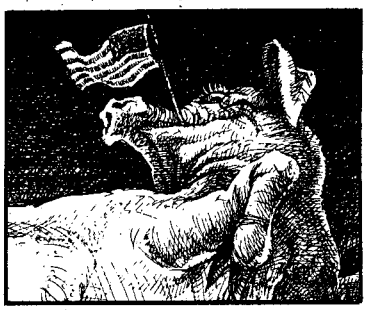

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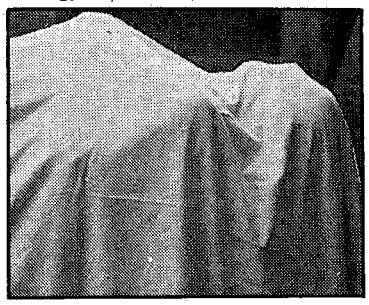

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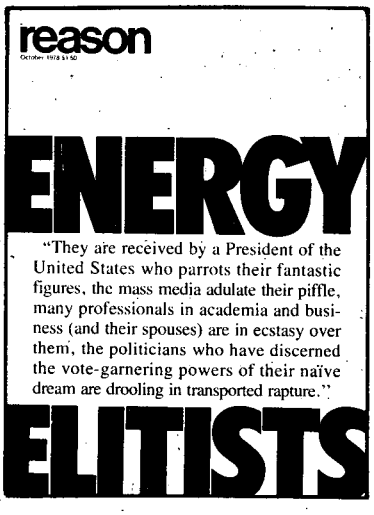
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editor's notes

• **CHANGES:** As some of you have noticed, several departments have not appeared in our pages the past several months. Frontlines, Foreign Correspondent, and Washington Watch have been phased out, to make room for an increased amount of articles, book reviews and some upcoming new departments. The common denominator of these features was their orientation toward activism and the libertarian movement. In order for REASON to grow into the kind of general-interest magazine we want it to be, the editors have decided that features focused on the libertarian movement, per se, are of too limited interest to be included. REASON's purpose, as a *magazine,* is to present ideas to an aware, thinking readership. It is not to foster a movement (though we all, as individuals, wish the libertarian movement to grow and prosper).

Hence, the editorial changes noted above. We think they will make for a livelier, better-integrated, more marketable magazine. Over the next two years we plan to double REASON's readership, reaching many more people with our fresh, new approach to current issues and problems. I hope you like the changes in REASON and welcome your comments and suggestions.

• **NEWSLETTER:** As noted above, the editors remain personally committed to the growth of the libertarian movement. So much so that we are now launching *an entirely new publication* for and about the libertarian movement. It will be called FRONTLINES and will appear every month.

The ad on the inside front cover describes the concept of FRONTLINES in more detail. Here I'd like to explain why we decided to create the newsletter. We had, of course, some good writers and features that no longer fit very well within REASON, as it is now evolving. But more importantly, we're concerned about what sort of information is circulating within the movement. At present there is really no independent libertarian publication of any size or reach. There are, to be sure, several magazines and newsletters published by or linked closely with particular libertarian organizations. They do a good job of promoting the views of the leaders of those organizations—but that is a far cry from independent libertarian journalism.

What we think the movement needs—desperately—is a national (indeed, *international*) publication that is *not* an organ for a particular faction of the movement—be it the Libertarian Party, the Society for Individual Liberty, anti-politics libertarians, or what-have-you. Such a publication would be open to the views of all factions. It would carry on the needed debates on ideology, on strategy, on tactics—without being committed to a particular outcome. It would report on conflicts, controversies, and power struggles. Such a publication would do much to ensure the vitality of the libertarian movement.

That's what we intend to accomplish with FRONTLINES—and from looking through our first issue, I think we've succeeded. I hope you'll decide to see for yourself. We've enclosed an order form with this issue.

• **CONTEST:** The Center for Study of Public Choice at Virginia Polytechnic Institute—one of a growing number of free-market-oriented university think tanks—is sponsoring an essay contest. The subject is "The Economics of Labor Unions." A total of $16,000 in prize money is to be awarded: $2,000 each for the best eight essays. The deadline for entries is December 31, 1978. Direct inquiries to Prof. Gordon Tullock, Center for Study of Public Choice, VPI&SU, Blacksburg, VA 24061.

• **PUBLICITY:** Prof. Walter Williams, author of "The New Jim Crow Laws" (August, p. 16) has played a major role in drafting a set of policy proposals aimed at breaking down many of the government-created economic barriers to minorities that were documented in his article. The proposals include access to competing educational systems by means of voucher programs, a youth differential in the minimum wage, removal of occupational licensure restrictions so as to substantially reduce the costs of entering many professions, and removal of entry restrictions in major areas of transportation, particularly in trucking and taxicabs. The proposals have been issued by the Task Force on Policy Initiatives of the American Conservative Union, and were announced by Prof. Williams and former Sen. James Buckley at a Washington news conference.

Robert Poole, Jr.

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Boycott Moscow

editorial

In recent weeks the world has once again witnessed the spectacle of political trials in the Soviet Union. Scientists Yuri Orlov and Anatoly Shcharansky and poet Alexander Ginsberg have received harsh sentences for daring to speak out against the regime's totalitarian, anti-Semitic policies. In the past year the Soviet government has stepped up its attacks on political dissidents, especially those seeking to emigrate to Israel. In so doing it has made a mockery of the Helsinki Accords which it signed with much fanfare three years ago.

In response to these new atrocities the Carter administration's response was mixed. Attempting to counteract UN Ambassador Andrew Young's gaffe about US political prisoners, Carter abruptly cancelled government approval of the sale of a $2 million computer system to Tass. But the next day he backpedaled, saying there would be "no additional reprisals" and "no vendetta."

One of the proposals Carter explicitly rejected was a US boycott of the 1980 Olympic Games, scheduled to be held in Moscow. The idea of a boycott was raised by Sen. Wendell Anderson, a Minnesota Democrat, in July. It quickly picked up support from Rep. Robert Drinan and a number of other Congressmen—and from columnists Mary McGrory and George Will—so far, to no avail.

The boycott proposal raises again the question of an appropriate foreign policy for a country supposedly committed to the principle of individual liberty. For a government that splits hairs over human rights violations in Chile and South Korea, and specifies the precise details of the kind of majority-rule formula that will permit resumption of US trade with Rhodesia, mere wrist-slaps over the USSR's latest human rights outrages are, to say the least, disproportionate.

But then again, should the US government be restricting trade with *any* country, for *any* reason? Shouldn't a "limited government" mind its own business—protecting the rights of its own citizens—rather than trying to right the world's wrongs? And besides, as one columnist put it, "Would an Olympic boycott really free Shcharansky?"

These are good questions, and any thoughtful person must take them seriously. Though it is beyond the scope of this editorial, let us assume that the answer to the first two questions is to affirm non-interventionism by the US government. But since American participation in the Olympics is essentially non-governmental, the boycott question remains: Should American athletes, companies, contributors, and tourists boycott the Olympics?

A strong general case can be made that free trade promotes both peace and freedom—the former by increasing economic interdependence (which reduces incentives for war), the latter by stimulating the free flow of ideas and information. On these grounds many people have argued against trade boycotts of, for example, South Africa. And the same arguments have been applied to Eastern Europe and the Soviet Union. There is also the pragmatic argument that boycotts "don't work," or at least don't accomplish their objectives.

But what exactly *is* the objective of an Olympics boycott? Obviously, it is not to bring down the Soviet government. Nor, necessarily, to free all political prisoners in that oppressed land. No, the purpose of boycotting the Moscow Olympics is to make a moral point, to refuse to accept the charade of the Soviet government as "just another host nation" to be portrayed round-the-world on TV with a smiling mask hiding the brutal face of jailor of its people.

What good would it do? Ask the dissidents themselves. When the Association for Computing Machinery cancelled all cooperative efforts with the Soviet Union early this year over Shcharansky's persecution, dissident leader Andrei Sakharov praised the move. This support undoubtedly encouraged 20 American high-energy physicists to cancel a trip to the USSR in May, with the blessings of the National Academy of Sciences, and the subsequent pullout of leading US geneticists from the International Congress of Genetics, held in Moscow in August. And a key backer of the Olympics boycott is none other than Avital Shcharansky, exiled wife of the convicted dissident.

The dissidents realize, as few American pragmatists do, the moral significance of such a boycott. It is a message to them and their beleaguered comrades that there are still people in the world able to distinguish between an honest man and a thug—and *willing* to make the distinction. And it is this kind of moral support that sustains them in their long, bitter struggle for a modicum of freedom.

It is for this reason that we urge a boycott of the Moscow Olympics—not as a mandate from our government but as a spontaneous outpouring of a free people. Here are some examples of actions we can take as individuals:

- Refuse to contribute to the Olympics Committee. And tell them why.
- Write NBC and demand that it cancel its $85 million television contract with the Soviet government.
- Picket NBC's headquarters and its affiliated stations.
- Demand the names of the advertisers who have scrambled to buy up 75 percent of the commercial time slots for the Moscow Olympics (at $75,000 per minute). Pressure them to support human rights by cancelling their contracts. Refuse to buy their products until they do.
- Boycott Coca Cola until it drops its exclusive contract for Olympic soft drinks.
- If you own stock in NBC, Coca Cola, or the TV advertisers, hold their managers to account and demand changes in their policies.

In 1936 hypocrisy reigned supreme as Hitler hosted the Olympic games in Berlin, covering over his regime's totalitarianism and anti-Semitism with a mask of respectability. Brezhnev & Co. want to pull the same shabby trick in 1980. Let's not let them get away with it. An Olympics boycott can show the world that Americans—never mind their pragmatic politicians—still revere human rights and liberties.

Robert Poole, Jr.

"A vicious personal attack... McCarthyism!" —RALPH NADER

Omaha, Neb., 6/21/1978

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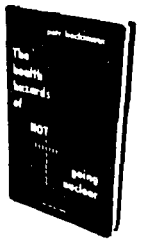

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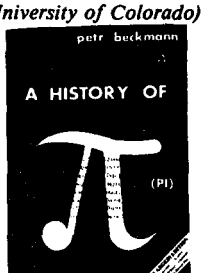

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The irrepressible Beckmann points out in his usual forceful style that Lovins' personalized-energy-source idea is ... a formula for a gigantic waste of energy — and for the de-industrialization of the US.
NATIONAL REVIEW

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Defense Defended

David Sutton's review [June] of my book *The Save-Your-Life Defense Handbook* was a nifty hatchet job,... but his strident tone brings into question his judgment. Certainly his criticisms are riddled with flaws, and along with the bassackwards logic he employs, the reader would be wise to question his expertise as well. There are experts and there are *experts*, and their choice of combat techniques often separates the windy theorist from the blooded fighter. I wouldn't venture an opinion either way regarding David Sutton. However, I will respond to his criticisms, and that in itself should prove instructive.

1. Hand-to-Hand Combat. Anyone who doubts that a heel-of-the-palm blow delivered to the nose will kill—and kill very effectively—quite obviously hasn't used that blow in a serious encounter. Anyone who has been engaged in actual hand-to-hand combat—where the object is to neutralize your opponent quickly—knows that surprise, along with a blow to the larynx or nose, brings the action to a hasty conclusion. Anyone who thinks otherwise is simply a damn fool, and a sitting duck in a real fight. In brief, these are the types of tactics I recommended in the *Handbook*, and anyone—even a macho stud—will hit the deck with his lights out whenever he's caught by one of these blows.

2. Gunfighting. Something over 90 percent of all police-criminal gunfights occur at a range of 7 yards or less. In recent years, following the advice of *pistolero* theorists, law enforcement agencies began training their officers to always bring the weapon to eye level, regardless of the range. It works great on a combat course—because paper targets don't fire back—but in practice, it got a great many cops killed. The reason slowly became obvious: while the cop was raising his weapon to eye level, the crook blasted away using instinctive aim point shooting. And the conclusion was another dead cop. As a result, many police departments have now returned to the old FBI method... at 7 yards or less the officer is trained to fire with the weapon below eye level....

3. Knife Fighting. The techniques Sutton refers to as unworkable were learned—through personal encounters — from American Indians and Mexicans. These people rely on tactics that have been tested and proved deadly by countless generations of knife fighters. Unlike knife fighting *theorists*, who borrow heavily from the sport of fencing, their techniques are based on actual experience with cold steel. While serving in the army, I met any number of "knife fighters" who had been trained according to the theorists' doctrine. And like the theorists, few of these men had ever been involved in a cut-or-get-cut knife fight. Their experience was limited to practice sessions, with *rubber* knives. All of which makes for a jolly grand game and no one the worse for wear. With real knives, however, the overall style taught by theorists will merely get you killed—very fast!...

Finally, I would admonish Sutton to read the text of the *Handbook* rather than simply look at the photos. If he had, he would have found—on virtually every page—the caution to perfect any given tactic before attempting it on the street. I would assume, based on his remarks, that Sutton feels himself incapable of mastering the Indian/Mexican style. That's a real problem, but he shouldn't impose his own limitations on the general public. There are countless numbers of people capable of mastering the techniques advocated, and they should be exposed to every known school of knife fighting. In fact, I urged readers of the *Handbook* to seek out the works of other knife fighters and determine for themselves which style better suits the individual. Sutton would be wise to curb his intolerance and follow the example.

Of course, David Sutton's greatest disservice to the reader is that he completely missed the point of *The Save-Your-Life Defense Handbook*. It was not meant to be the last word on self defense. It offers instead a viewpoint—a survivor's philosophy—and an examination of combat tactics I learned the hard way. It is by no means the definitive work, nor will it teach you all there is to learn in ten easy lessons.... Sutton contends *The Save-Your-Life Defense Handbook* isn't worth the price of admission. I believe it might very well save your life in the event of a violent encounter. While there are no guarantees on the streets of America, the least it will do is increase your odds. And perhaps that's enough considering the stakes.

Matt Braun
Francestown, NH

Mr. Sutton replies: I shall reply as mildly as is possible, while covering the ground.

I did not intend to be "strident" or "shrill." I intended to deliver a harsh, negative evaluation of what I felt was a dangerous book for beginners, inadequate in places, and overly florid in others. My opinion stands.

I am not a "pistolero," and I have been most thoroughly blooded. My experience is largely combat experience — battleground experience, as Mr. Braun puts it—with the Marine Corps in Vietnam.

I first learned to survive knife fights on the back streets of Goleta and the docks of Santa Monica and San Pedro, defending myself from Mexican-Americans of the "Pachuco" gangs. Many of them used a style remarkably similar to Mr. Braun's, though I would hesitate to attach a racial label to the style. I have encountered it from Anglo and Filipino punks since.

Many of the Pachucos were very poor knife fighters, though some of them were very good with honed baling hooks. I ran from them as often as I fought them. Macho I am not. I am alive.

I have never been cut in a knife fight, largely because I use a tight, low-braced defensive posture which makes me a poor target and covers my vulnerable zones. Beyond that, I use purely personal attack forms which I would never advocate for a beginner, and I use almost anything else in preference to a knife.

I did not say that a heel-palm strike to the nose will not (sometimes) kill. I said that it will not put the nose bones into the brain. And the photo used shows a delivery that would likely result in a trapped arm. In fact, that heel-palm strike against the solar plexus can be countered by leaning back or flinching all of four inches, whereupon you would be very vulnerable to one of the simplest holds of Jiu Jitsu. I don't claim Mr. Braun doesn't know how to deliver those blows himself; I simply point out that a beginner working from his *photos* would probably get hurt.

As to handguns, I am convinced that a beginner is best off starting with aimed fire, and that "instinct" shooting from any position is not a beginner's technique at more than six feet. It requires literally thousands of rounds of practice. I practice it up to about 25 feet, at eye level, because I have found that a change in grips and balance completely destroys any advances I may have made in "instinct" handgun use. When the weapon is in my visual field, I can adapt to new weapons with small loss of accuracy. This is a poorly labeled technique, because "instinct" shooting is a trained response of the highest order.

I use the "instinct" technique from 6 to

25 feet because sighting, unlike full-arm extension and elevation to eye level, does slow me down.

I have no doubt that Mr. Braun's philosophy of survival and combat is good for him. I do think that his book is a very poor one for beginners. My evaluation is of his book, not of him as a person or as a warrior. While I do not intend to touch his honor, honesty compels me to stand by my review.—**D.L.S.**

Crawl, Walk, Then Run...

Bill Birmingham's criticism [Brickbats, June] of the first-round of use of Colorado's Sunset Law was overly harsh. It's true that it wasn't cost effective. However, I don't feel that this invalidates the concept of a Sunset Law. It just means that, this time, the legislature abolished a bunch of nickel-and-dime agencies and passed up the option of nixing some considerably more expensive ones. That option will continue to exist as long as Sunset is on the books. The Sunset Law is a very partial reform. But at least it makes *possible* the elimination of every regulatory agency in Colorado.

Patrick L. Lilly
Colorado Springs, CO

Soft on Taxation?

In their article "How to Draw the Line on Taxes" [June] William Rickenbacker and Lewis Uhler equated tax rebellion with violent revolution. However, I see no such equality. Also, I see no reason why people have a "duty" to continue to let themselves be robbed until they have managed to convince the majority of the voters to demand a tax-limiting amendment. Furthermore, such an amendment would merely limit (and a high limit it would probably be) the amount which the State can steal from us.

Since the government prosecutes a relatively small percentage of tax rebels, an insurance program could be set up among tax rebels which would indemnify those unfortunate tax rebels who are convicted for any financial losses they suffer because of their conviction, and give some compensation for any time they might spend in prison. This would greatly reduce the risk individual tax rebels would incur and would thereby accelerate the movement....

One other point: Messrs. Rickenbacker and Uhler insist that legislators don't really want to take any more of our money but are induced to do so by the "basic flaw." Anyone who saw the hysterics of the politicians in California at the prospect of "Proposition 13" passing can see how wrong they are. The legislators have also done their best to make the taxes that they levy as invisible as possible, thus producing the appearance of cheap programs that Messrs. Rickenbacker and Uhler show is part of the "basic flaw."

Brian Jedrick
Nutley, NJ

ALF Chided

It would take an article of great length to respond to all the errors, cheap shots, and faulty logic contained in the letter from the officers of the Association of Libertarian Feminists [July] regarding the alleged "poor judgement and insulting insensitivity shown by the editors of REASON" for publishing three articles on the morality of abortion—all of which were authored, to their distress, by men.

Suffice it to say that I am a feminist. I am also, to my chagrin, a member of ALF. I am appalled and embarrassed to be bracketed with individuals who demonstrate so little perception and understanding of the authentic nature of feminism.

If feminism is anything, surely it is the radical assertion that all human beings be

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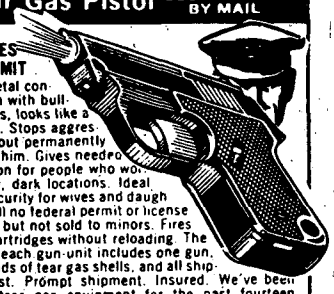

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treated and judged on their individual merits and abilities—and certainly not on the basis of their sexual gender. One can only regret that the officers of ALF, who presume to speak for an individualist/feminist entity, so poorly understand the premises on which their organization is founded....

Space does not permit an extensive analysis here of abortion, but it should be noted that socially the issue is not abortion. By far the greatest number of all abortions occurs naturally and spontaneously as nature's way of rejecting potentially defective offspring. Miscarriages and stillbirths are not the subject of ethical debate.

What is at issue is the social-political question of whether individuals shall be permitted to exercise individual judgment and act according to their beliefs or whether they shall be tyrannized into conducting themselves according to the moral convictions of others. Surely this is an issue of critical interest and relevance to all human beings—regardless of their sexual gender, and an issue fundamentally far beyond the specifics of abortion.

For the officers of ALF to suggest that only women can authoritatively and/or ethically comment on the morality of abortion is to propose the principle that only participants to an experience are qualified to propose ethical standards. Murderers would relish this innovative approach, I am quite sure.

...I would suggest that the editors and authors are to be commended for their gender "blindness" and for not kowtowing to the trendy egalitarian pressures so prevalent in editorial circles. This is, I believe, in harmony with the major chord of feminism: we are struggling, not to be equal, but to be free.

Caroline Willis-White
Long Beach, CA

N-Bomb Alternatives

I pick up the June REASON and what do I see but a letter from one Tony Haenni, manfully distorting my comments on the neutron bomb? My fans will of course remember how, in my January 1978 column, I reported the views of Mr. Alton Frye, "a senior fellow of the Council on Foreign Relations," that the N-bomb is 1) expensive, and 2) given to inflicting collateral damage on non-combatants (worse than "the free-fire zones of Vietnam," as he put it). I further suggested that since "pro-NATO libertarians" (of which I am not one) presumably oppose killing non-combatants they should opt for "precision guided conventional munitions" for their tank-killing chores. Haenni somehow interprets this as "the incredible assertion that conventional weapons wouldn't harm civilian lives or property,'" and adds "Where has Birmingham been?" Well, at the time I was over on page 14, denouncing the slaughter of Middle East civilians with conventional weapons. The operative words were "precision-guided," like the US TOW and Dragon anti-tank weapons. NATO already has superiority in these; they could add 100,000 more with what Carter was proposing to spend for N-bombs. Such matters are explained at length in Fred Kaplan's "Enhanced Radiation Weapons" (*Scientific American*, May 1978) and I will say no more about them. It is worth remarking that Defense Secretary Brown calls the N-bomb "useful but not essential" (James Burnham, *National Review*'s military strategy columnist, concurs), and REASON contributors Earl Ravenal and Daniel Ellsberg flatly oppose it (see *The Nation*, May 27, 1978, for their comments).

Bill Birmingham
Santa Barbara, CA

Abortion Distortion

Regarding your writers' frequent use [April] of 1984 distortionist words in referring to a pregnant woman as "mother" and the fetus as "unborn child": In a letter to the editor of *American Atheist Magazine*, January '78, D. Garcia of New York City pointed out—"A pregnant woman is not a mother. To become a mother, she must give birth to a child first.... The American Heritage Dictionary of the English Language (p. 127) defines child as 'any person between birth and puberty.' It is preposterous and biologically impossible for a woman to carry in her womb a 'person between birth and puberty.'"

Harry M. Nelson
Anchorage, AL

The editor replies: This indeed seems to be an important distinction. One of our authors, however, did observe the distinction. In "The Morality of Non-Interference," Tibor Machan consistently spoke of would-be parents and human fetuses and human embryos—but not of mothers, fathers, and unborn children.—**R.P.**

To Efron's Defense

I have just read the venomous and scurrilous attack [May] upon Miss Efron and her [February] Viewpoint column, and so I am hastening to say that here is one reader who thought her article to be

(Continued on p. 48.)

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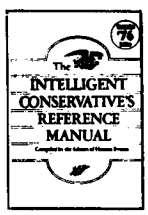

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brickbats

☐ **Even after "a massive surprise Soviet nuclear attack** aimed at destroying US nuclear forces," say recent studies released by the Congressional Budget Office, the United States would still have some 5,000 nuclear warheads with which to retaliate. The US retaliatory second-strike would destroy 80 percent of the Soviet Union's industrial base, 90 percent of her military facilities, and "between 20 million and 95 million people"—and still leave the US with 1,000 nuclear weapons in reserve. The secret is the American advantage of better than two-to-one in nuclear warheads: about 9,000 to the Soviets' 4,000. For some reason, this is called "parity" between the two superpowers (they call it "Soviet superiority" or even "supremacy" out in the fever swamps) even though, as the reader may have noticed, the United States would have more weapons *left* after a Soviet first strike than the USSR had *started* with. More, in fact, than the United States would have started with in 1970; when she had an estimated 3,854 warheads to the Soviets' 2,155; before eight years of detente and what those in the fever swamps are pleased to call American "unilateral disarmament."

☐ **Underreacher:** Idi Amin has announced the formation of a new Ugandan security organization, the SSS-Amin Operation. "They are even better trained than the CIA or Congressmen," he boasts.

☐ **So what else is new?** Back on April 3, HEW Secretary Joseph Califano announced that his department had "misspent" between $6.3 billion and $7.4 billion in fiscal year 1977 because of "fraud, abuse and waste." This sum is roughly equal to the Gross Domestic Product of Ireland or to the income taxes paid in 15 states combined or by 5 million households earning $15,000 a year. The figures were provided by HEW's Office of the Inspector General, which called them "conservative" and "no more than an initial inventory."

☐ **Syndicated columnist Kevin Phillips** points out that the November elections will provide a test of Republican dreams of unseating Jimmy Carter in 1980. Whenever the party out of power has captured the presidency, says Phillips, the feat was preceded by gains in the off-year elections. He sets a "power threshold" of 1) half the nation's governorships and 2) either a majority in Congress or coming "reasonably close" to one, which the out-party must cross before it can hope for the presidency. Current punditry has it that the GOP will get nowhere near these limits in 1978, and Phillips claims, "Throughout this century, an out-party unable to muster 'threshold' strength in the off-year elections has never been able to win the subsequent presidential election."

☐ **The village board of Hempstead,** New York, has outlawed "for sale" signs on local lawns. The ostensible reason is to prevent "white flight." The ordinance is about as far as the board can go, but why not an act of Congress, forcing whites to move back to Hempstead? They could call it the Fugitive Honky Act.

☐ **On June 27, a 24-year-old Soviet man** attacked three foreign tourists with an axe outside the Intourist Hotel in Moscow, killing two. After he was arrested, a Soviet spokesman opined that he had been inspired by the "Son of Sam" murders in New York. Or maybe by Jacques van der Dreschd, who was recently made a Hero of the Soviet Union after serving a long Mexican prison term for assassinating Leon Trotsky—with an axe.

☐ **"It is now estimated** that the Federal government does more in one week to slow down our national production than all of the German saboteurs did during World War II"—*Chicago Sun-Times* columnist Mike Royko.

☐ **Hyden, Kentucky, is so far back in the hills** that "most radio stations do not reach it," according to the *New York Times.* But not, of course, so far that the federal government couldn't find it and provide funds for the $2.6 million Richard M. Nixon Recreation Center. The Tricky One attended the dedication and spoke to a "wildly enthusiastic" crowd of 6,000. That's probably enough to nauseate the reader right there, but I must also report that the Monster Milhous (so shameless is he) "rose to the defense of... the free enterprise system." Rather like Lizzie Borden defending filial piety.

☐ **Our second Doublespeak Award** goes to Mr. James Loucks, president of Crozer Chester Medical Center of Chester, Pennsylvania. Loucks got a court order allowing his hospital to give a Jehovah's Witness a blood transfusion. The woman had requested in writing that the hospital respect her religious beliefs and not give her a transfusion under any circumstances, but Loucks says he ignored her wishes "out of respect for her rights."

☐ **More triumphs for the Supreme court!** In a 5-to-4 decision, that august body upheld an FCC ban on broadcasting "indecent language." The case grew out of a George Carlin monologue on seven "filthy" words "that will curve your spine, grow hair on your hands and maybe even bring us, God help us, peace without honor." Justice Stevens, for the majority, justified such censorship, not on osteopathic grounds, but on the assertion that "the broadcast media have established a uniquely pervasive presence in American life." Almost as pervasive as statism.

Bill Birmingham

trends

Tax Revolt Update

Efforts to reduce or limit government spending continue to grow, around the country. At press time, tax-limitation measures have qualified for the November ballot in seven states: *spending limits* in Arizona, Colorado, Michigan, and Texas and *property tax limits* akin to California's Proposition 13 in Idaho, Nevada, Oregon, and Texas. Petition drives were still under way in Florida and Illinois, while such drives had failed in Utah and Washington.

State politicians were clearly on the defensive. The governors of Alabama, Maine, Nebraska, and Texas called special sessions of the legislature to produce tax reduction measures, and even the New York legislature passed a measure allowing renters to deduct part of their rent, as property tax, on state income tax returns. Minnesota House Speaker Martin Sabo told the National Conference of State Legislatures that the tax revolt poses "a very serious threat to the fabric of government," while California Assembly Speaker Leo McCarthy told a standing-room-only session that it would be a "serious blunder" to underestimate the movement's momentum.

Nationally, the Gallup Poll reported that 81 percent of the public favors a constitutional amendment requiring Congress to balance the federal budget each year. In an unexpected move, the Senate voted 58 to 29 to require a balanced budget by the beginning of fiscal year 1981. And the National Tax Limitation Committee announced the appointment of a 29-member panel to draft a constitutional amendment to limit federal spending. Chaired by economist Milton Friedman, the group includes former Council of Economic Advisors chairman Paul McCracken, former Commissioner of Welfare Robert Carlson, and Ford Motor Company chief economist William A. Niskanen. They plan to have the amendment drafted and ready for congressional action by January.

The tax revolt has even crossed the Canadian border. Prime Minister Pierre Elliott Trudeau announced in August that he was cutting $2 billion from the government's $50 billion budget and pledged to cut personal income taxes and reduce government intervention in the economy. These steps were being taken to stimulate the economy, Trudeau said, thereby joining the ranks of the ex-Keynesians.

Toward Medical Freedom

A host of current controversies revolves around the issue of medical freedom of choice. Both state licensing bodies and the federal Food and Drug Administration have traditionally held that people must be protected from what established authorities define as "quacks," even if their own judgment differs from that of the authorities.

Congress is debating one aspect of the issue in the form of the Symms bill (see "Regulations That Are Killing Us," p. 22). In California the Board of Medical Quality Assurance is also taking up the issue, at the instigation of member Michael J. Carella, a philosopher. Professor Carella thinks the law defining the practice of medicine in the state should be rewritten to face the issue squarely. "Can people choose a treatment we don't feel to be scientific?" he asks. To what extent "can we intrude upon people to protect them?"

The Board has been spurred to address the issue by the growing trend toward self-medication—people going to Mexico for laetrile treatments, using chelation or megavitamin therapies, etc. While bureaucrats debate the issue, courts and scientists continue to argue for greater freedom of choice. The US Court of Appeals has ruled that terminal cancer patients are entitled to laetrile injections if they desire them and has ordered the FDA to set guidelines for its use "with all due dispatch." And an FDA scientist has urged the agency to think twice before enacting a proposed saccharin ban. Morris Cranmer, head of the agency's National Center for Toxicological Research, told FDA Commissioner Donald Kennedy that saccharin's benefits may outweigh the risks and criticized the "all-or-nothing" approach required by the Delaney Clause in the Food and Drug Act. Cranmer's views reflect the results of calculations by physicist Bernard Cohen that, for diet soda, the increase in life expectancy due to reduced obesity is 100 times greater than the decrease in life expectancy due to possible bladder cancer.

Compulsory medication, "for people's own good," is also coming under new fire. The pace of fluoridation of public water supplies has slowed to a crawl in the past decade, with some cities even voting to discontinue the practice. A new study by the National Institute of Dental Research has shown that tooth decay can be prevented effectively *without* fluoridation of entire water supplies. Its two-year experiment in 17 communities showed that weekly mouth rinsing with a dilute solution of sodium fluoride brings an 18 to 46 percent reduction in cavities—at a cost per child of under 50 cents per year.

Enriched flour is another compulsory health measure. Among the enrichments is iron, and for the past eight years some public health officials have been pushing a proposal to triple—by law—the amount of iron added to flour and bread. But studies from Sweden, where iron fortification is nearly twice as great as in America, have thrown cold water on this scheme. The Swedish researchers have discovered in the Swedish population an unusually high incidence of a rare and often fatal disease—hemo chromatosis—that can be exacerbated by excess iron intake. Once again, the attempt to impose good health on people leads to bizarre side effects.

Environmental Misinformation

Ever since Earth Day in 1970, the World has been burdened with a growing accumulation of environmental myths and half-truths. Repeated in Sunday supplements and at cocktail parties, they have become entrenched as what passes for general knowledge. Increasingly, though, they are being called into question by scientists and other researchers.

One widespread misconception concerns air pollution—nearly always regarded as solely a humanly caused phenomenon. Not so, it turns out. Trees and shrubs are a major contributor to air pollution. In California's Lake Tahoe Basin, for example, emissions of terpene from trees and shrubs cause 56 percent of the air pollution, autos only 35 percent, according to environmental consultant Robert Sculley of the firm of Johnson and Stokes. And when terpenes combine with nitrogen oxides from auto exhaust, ozone—a major component of smog—is formed.

Trees are also an important source of atmospheric carbon dioxide, whose accumulation some scientists fear is creating a greenhouse effect of rising world temperature levels. Worldwide burning of wood, primarily via forest fires, puts 1.5 trillion kilograms of CO_2 into the atmosphere each year, compared with 5 trillion kilograms from fossil fuel burning (oil, coal, and natural gas), according to C. S. Wong of the Institute of Ocean Sciences in British Columbia. Thus, technology is not solely to blame for the gradual increase in atmospheric CO_2.

Other environmental truisms are also open to question. The Southern California Coastal Water Research Project is a

group of scientists studying the impact of municipal sewage discharges on coastal sea life. Last June the project issued a report on its findings that sea life is *not* being harmed by sewage outfalls in the ocean. "The general public has been misled by half-truths and misrepresentations," the authors concluded. In fact, coastal waters are not "dying," there is no great body of sludge on the ocean floor, no species of fish has been destroyed or driven away by pollution, nor has great kelp been harmed by the outfalls. Costly secondary-treatment plants now required by the Environmental Protection Agency are therefore a waste of money.

What about energy sources? We hear a great deal about supposedly safe, nonpolluting solar and wind energy devices. But most such speculation neglects the environmental hazards inherent in such systems. A Department of Energy report recently pointed out that solar heating systems must contain a working fluid other than water (e.g., antifreeze); widespread use of such toxic fluids holds the potential of contaminating drinking water supplies. For direct conversion of solar energy to electricity, solar cells are required. Workers assembling these devices will be in danger of inhaling toxic chemicals or silicon that can lead to lung disease. Large-scale solar plants will require high-temperature thermal storage facilities, some of which "are like napalm," according to Henry Kelly of the Office of Technology Assessment. Orbiting satellite solar power systems would send back power to earth via giant microwave beams, with possible risks to fliers and nearby residents. Even large-scale windmills, besides obstructing views, cause environmental effects: their massive rotating blades interfere with TV and radio signals.

The point is not that such systems should not be developed. Rather, they should not be looked on as panaceas. *All* forms of technology entail certain risks and hazards. Wishful thinking by misinformed environmentalists contributes little to intelligent decision making about options for the future.

Road and Rail Deregulation Progress

With airline deregulation proceeding apace, deregulation of railroad and truck transportation is moving to the front burner. Though no comprehensive legislation has yet been introduced, the case against continued cartelization of these industries via the Interstate Commerce Commission continues to grow.

In July the head of the Federal Railroad Administration, John Sullivan, issued a blistering attack on the ICC. "Government and the burdens of regulations" are at the root of the problems facing the nation's financially ailing railroads, he said. "We have substituted ICC management of the industry for competition and the law of supply and demand," he told the transportation subcommittee of the House Interstate Commerce Committee. The ICC has been "protecting some shippers at the expense of other shippers and the general economy, thus preventing the railroads from making a reasonable profit."

Sullivan's views of the ICC and transportation regulation were seconded by Wayne Hoffman, president of the successful cargo airline Flying Tiger Line. In a speech at Syracuse University, Hoffman praised last year's cargo airline deregulation and called for complete deregulation of passenger airlines and trucking. In his speech Hoffman cautioned against half-way measures called "regulatory reform" and stated that "any restraint on entry or pricing simply means a different and not necessarily better form of regulation. For deregulation to work, it must be complete and total." Hoffman excluded railroads from this prescription, on grounds that free entry would not be possible in the rail industry. (This view neglects the growing phenomenon of shipper-owned trains, which provide a relatively low-cost means of new entry to the industry.)

Meanwhile, the Senate Commerce, Science, and Transportation Committee was digesting a report on trucking deregulation. The independently conducted study concluded that total deregulation of trucking would be quite beneficial. "There is little question that economic efficiency would improve under total deregulation," the study found—due to a more rational rate structure, fewer opportunities for collusion, elimination of regulatory delays and inefficiencies, and introduction of more diverse combinations of prices and service options. Furthermore, "predictions of wholesale elimination of service to small communities following deregulation are completely unsupported by data.... Rather, it appears that service to small communities would not deteriorate and might, in fact, improve under deregulation."

So far the only congressional action has been introduction of a bill to renew for five years the "yo-yo" (zone of reasonableness) rate-making concept of the 4-R Act and eliminate its odious market dominance clause (see "How Federal Railroad Policy Got Derailed," REASON, September 1978). These minor changes, if approved, would permit a small increase in rail-pricing freedom but are a far cry from real deregulation.

Education Vouchers—Alive Again

One of the many side effects of Proposition 13 in California is a resurgence of interest in private schools. One immediate result of the measure's passage was the virtually complete shut-down of public summer school programs—and a resulting boom in private schools. But the boom now shows every sign of being permanent. And it is leading to new support for an old idea—education vouchers.

First proposed in the 1950s by Milton Friedman, the basic idea is for government to distribute all educational tax revenues to *parents,* rather than to schools, in the form of vouchers. The vouchers would be cashable at schools—*any* schools, public or private. Under a voucher system, public schools would have to compete with private ones on an even basis; no longer would those choosing private schools have to pay for both public and private schools.

Though the voucher idea has been around for many years, it has never really been tried. But that may soon change. A group of liberals is drafting an initiative for the 1980 ballot that would set up a statewide voucher system. Two of its originators are John E. Coons and Stephen D. Sugarman, law professors at the University of California at Berkeley and authors of *Education by Choice: The Case for Family Control.* They were influential in devising the legal background for the landmark *Serrano* vs. *Priest* case, which upset local property tax funding for California public schools several years ago. Now they have turned to vouchers as the best way to implement the *Serrano* decision.

A key supporter of the voucher initiative is liberal Democrat Arlen Gregorio, a state senator. In a recent interview, Gregorio provided an intriguing look at the changing thinking of liberals regarding education:

> Now we have landed in a very revolutionary time. Many fundamental establishments to which we have become accustomed are up for re-examination—even something as traditional as our school system. You even hear around the state capitol these days the question, "Should we have compulsory education for everyone any more?" We've been taking things for granted too long. A shake-up is good. We need public hearings on all the options.

Also promoting the voucher initiative is the Institute for Contemporary Studies, a conservative think tank based in San Francisco. Its 1977 book *Parents, Teach-*

ers, and Children promoted the voucher concept and its director, Lawrence Chickering, is helping develop support for the ballot measure. "Proposition 13 has encouraged people to think things that were previously unthinkable," Chickering told an interviewer recently. "Given the mood of California voters today, this proposal is likely to get the needed signatures without a bit of trouble, and I'd be surprised if it didn't pass."

With the support of both liberals and conservatives, education vouchers may well become a reality in California.

Government vs. Developers

The evidence continues to mount that government—local, state, and federal—is a major factor in the soaring cost of housing. To begin with, of course, there's inflation—generated by Congress and the Federal Reserve. Over the past decade, an expanded money supply has inflated the dollar costs of land, labor, and materials. But government regulations, especially local and state controls, are an even bigger culprit.

The regulations fall into several categories. Building codes drive up costs by forcing the use of the most expensive materials and procedures. Many cities and states base their codes on national model codes, drafted largely by building product manufacturers and building trades unions. Such codes typically prohibit cost-cutting technological developments (such as plastic pipe and modular bathroom units). They also forbid many owner-built designs, thereby greatly reducing individual freedom for owner-builders—as pointed out in detail in the June 1978 issue of the *Humanist.*

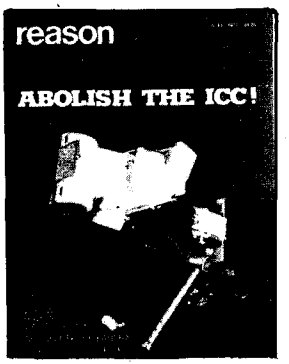
A major cost inflator is time delays. A recent Rutgers University study found that the price of a new house increases by from one to two percent for each additional month needed to complete it. Increased regulatory controls have upped average construction time from 5 months in 1970 to 13 months in 1975, according to data from the nationwide study. Since then, the situation has worsened, with many projects now taking two to three years.

The regulatory problem is especially severe in California. In 1972 the state's voters approved the Coastal Zone Conservation Act—a major increase in land-use regulation. In the 30 months after its passage, prices of single-family homes near the coast increased 41 percent, compared with only 27 percent for homes further inland. Additional controls on growth proliferated in California during the '70s. From 1972 to 1977, prices of existing homes in Los Angeles County increased an average of *18 percent each year;* in the prior two decades the average annual increase had been only 3.5 percent. To Prof. Robert Ellickson of the University of Southern California Law School, that means only one thing: the explosion of housing prices in the '70s can be blamed directly on reduced supply due to increased limits on development. True, the postwar baby boom generation entered the housing market during this same period, raising housing demand. But Ellickson points out, the '50s and '60s saw a huge wave of in-migration to Los Angeles from other states, swelling the population from 4.2 million in 1950 to 7 million in 1970—yet housing prices rose very slowly during those two decades. It is only in the '70s that inflation and regulations combined to push housing prices through the roof.

But owners and developers are starting to fight back. Developer pressure has occasionally led to reform of local regulations. Breckenridge, Colorado, abolished its zoning law and has substituted a one-step conditional use permit system that guarantees a decision within 40 days. Other developers are turning to the courts. In July, three firms filed a $25 million suit in Los Angeles federal court against the California Coastal Commission. Their complaint charges that, by denying a permit to develop their Santa

Have You Seen...

...the case for abolishing the ICC?



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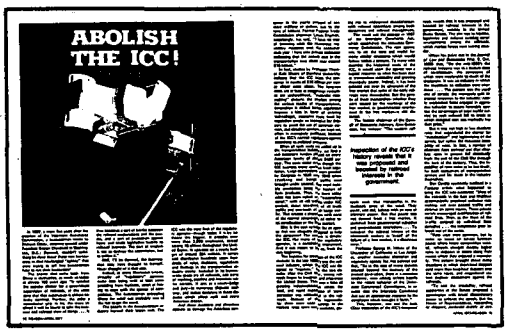
This issue features Tim Condon's devastating case against the Interstate Commerce Commission, one of the most useless federal bureaucracies. Also in the issue are Jeff Riggenbach's lively interview with Timothy Leary, Bruce Bartlett's "Why We Still Have a War Economy," Abe Kalish's "Buying Off Bureaucrats," Howard Landis on Henry Kissinger, and Tibor Machan's case for studying philosophy. Plus: Robert Poole on deregulating natural gas, Murray Rothbard on conspiracy theories, and a Spotlight on Petr Beckmann.



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Monica Mountains property, the commission has denied the owners the reasonable use of their land. A California appellate court has upheld a similar suit in San Diego County. It ordered the City of San Diego to pay over $3 million to San Diego Gas & Electric for depriving the firm of the beneficial use of its property. The city had designated the company's industrial land for inclusion in an open space plan.

What We Didn't Get

Sometimes you have to be grateful for things you *don't* get. Like when Congress is in session. Consider some of the measures that have gone down to defeat in the current session:

- Carter's proposed crude oil "equalization tax." By mid-July, Energy Secretary James R. Schlesinger had conceded that the tax has no chance of being passed, at least in the present session of Congress.
- A bill to spend taxpayers' money on congressional elections was shot down by the House 213 to 196—the fourth straight defeat of the measure.
- Legislation granting coal-slurry pipeline companies the power of eminent domain (so they could force their way across competing railroad rights of way) was defeated in the House by 246 to 161.
- The Humphrey-Hawkins bill has been so watered down with amendments, including one mandating zero inflation, that its passage—if it ever occurs—will be virtually meaningless.
- And, of course, the comprehensive labor law "reform" bill, which would have increased government intervention on the side of unions, was handily defeated.

To be sure, a Congress that produces yet another $50 billion deficit is nothing to cheer about. But things could have been worse.

Nascent Island Nations?

Several islands in the Atlantic may become the world's newest mini-nations, if independence-minded groups get their way. The islands are the Azores, Madeira, and a portion of the Turks and Caicos islands.

In the Azores and Madeira, separatist groups are demanding independence from Portugal. In both cases, a majority of the local inhabitants is strongly anti-socialist and objects to the policies of the socialist government in Lisbon. In April the deputy premier of Portugal, Antonio Almeida Santos, was assaulted and insulted by a crowd of 200 members of the Front for the Liberation of the Azores (FLA). Like its counterpart in Madeira, the FLA is officially illegal, though (according to the *International Herald Tribune*) it has considerable popular support. The Madeira group has printed its own currency, while the FLA has been getting advice from the libertarian-oriented Phoenix Foundation, based in Amsterdam.

The Turks and Caicos project is quite different in origin. The islands involved—Big Ambergris and Little Ambergris—are uninhabited. A group of Arizona and California investors has offered to pay $50 million to the Turks and Caicos government (a British crown colony like the Cayman Islands) for ownership of the two islands—with full sovereignty. The terms include the right to establish their own legislature and laws, to operate their own police and defense, to issue passports, to mint coins and print stamps, and to register banks and other corporations. Although British officials are reportedly cool to the plan, the colony's own government backs the proposal as a good deal. Interest alone on the $50 million would match the annual British subsidy to the colony.

What the Arizonans have in mind is to create a "Switzerland of the Caribbean"—a goal similar to that of the Phoenix Foundation advisors to the FLA. Whether either will succeed remains to be seen. But their efforts bear watching.

Tax Revisionism

Remember those populist announcements from Sen. Gaylord Nelson that large corporations pay much lower tax rates than small ones? How about the annual compilation by Rep. Charles Vanik of large corporations that pay little or no taxes? Both have now been revealed as lessons in "how to lie with statistics."

The revisionist in the plot is the Treasury Department's Office of Tax Analysis. For the past two years it has been putting together a comprehensive study of the taxes paid by US corporations in 1972. And the results are just about what one would expect from our "progressive" tax laws: small firms pay lower rates and large firms pay higher rates. Nonfinancial corporations with assets less than $50,000 pay an average effective rate of only 20.6 percent; those between $250,000 and $1 million pay 34.3 percent; from $1 million to $1 billion in assets, the rate is around 40 percent, and above $1 billion, it jumps to 46.2 percent.

Where, then, did Nelson and Vanik obtain their contrary results? By mixing apples and oranges. The figures given above are for US taxes as a percentage of US income, and similar figures result from comparing worldwide taxes with worldwide income. What Nelson and Vanik have always done, however, is to compare *US* taxes with *worldwide* income, thereby obtaining misleadingly low rates for the larger corporations (which derive a larger share of their income overseas). As the Treasury folks diplomatically put it, "much mischief may be done" by such false and misleading comparisons. Indeed.

Milestones

- *No Forced Altruism.* "In our law, there's no duty to rescue someone or save someone's life," wrote Allegheny County Judge John P. Flaherty. "Our society is based on the right and sanctity of the individual." In so ruling, Judge Flaherty turned down a dying man's plea to force his cousin to submit to a bone marrow transplant. The man, Robert McFall, suffers from aplastic anemia, and without a transplant his chances for survival are slim. His cousin, David Shimp, was found to be the only likely family donor but declined for health reasons of his own. McFall then went to court to attempt to force what he could not accomplish by persuasion.
- *Legal Contraception.* The right of people to practice contraception—long denied by law to the people of Ireland—appears likely to be restored soon. Prime Minister Jack Lynch's government has drafted legislation to legalize the sale and distribution of contraceptives. Despite strong opposition from the Roman Catholic Church hierarchy, there is growing popular support for the measure, due to growing covert use of contraceptives. Legalization could help bring peace between the Irish Republic and Northern Ireland. The fear of Northern Ireland Protestants that the Catholic Church seeks to impose its private morality by force of law is considered one of the biggest obstacles to possible reunification of the two countries.
- *Chew a Coke?* A Harvard-based pharmacologist thinks coca leaves—long chewed by Andean Indians as a stimuant—might be the basis for a valuable prescription drug. Andrew Weil therefore plans to seek Food and Drug Administration permission to test a coca-based chewing gum on humans. Weil thinks the gum could be useful as an antidepressant, as a substitute for caffeine, and as a palliative for stomach disorders. Thus far, Weil's announcement has not aroused any opposition.

This column reports trends in the advancement of liberty and economic freedom. Readers are invited to submit material of potential interest to Trends Editor, REASON, Box 40105, Santa Barbara, CA 93103.

Economics As If SOME People Mattered

Small-is-beautiful gurus have the ear of populists Jimmy Carter and Jerry Brown. But their proposals reflect an elitism that scorns the Common Man.

BY PETR BECKMANN

"SMALL IS BEAUTIFUL" is the title of a book by E. F. Schumacher. It is also a slogan describing a state of mind in which people clamor for the rural idyll that (they think) comes with primitive energy sources, small-scale production, and small communities. Yet much—perhaps most—of their clamor is not really for what they consider small and beautiful; it is for the destruction of what they consider big and ugly.

That alone shows that there is more beneath this mentality than the slogan might suggest. Indeed, if its adherents wish to retire into a cottage industry powered by solar collectors and windmills, who's stopping them? There are many lonely places from Maine to Oregon to which the alienated can retreat and live the life they recommend to others. And many have, in fact, done so; but Amory Lovins is not among them, nor was Mr. Schumacher (he died in 1977), nor the Creative Initiative Foundation, nor Project Survival, nor Environmental Action, nor any of the other organizations fervently devoted to the small and beautiful.

Corporations, the utilities, the military, big business, profits—and whatever else is supposed to be big and ugly—are not big or ugly enough to stop Mr. Lovins from moving into the wilderness. In fact, they are not even big or ugly enough to *make* him move there.

It is, on the contrary, the small-is-beautiful advocates who are trying, and very successfully, to impose their will on the rest of us. And they haven't been imposing it on us by the ballot box: they work through the courts, through the federal bureaucracies and regulatory agencies, through regiments of lawyers and PR men who manipulate behind the scenes; but above all, they spread disinformation through the mass media and the schools and universities. That disinformation plays cleverly on people's desire for a healthy environment and on the fears that these same sources have carefully cultivated.

The way they have been promoting the small and beautiful is neither small nor beautiful. Certainly the money the environmental organizations have been spending to stop economic growth isn't small—it runs into the tens of millions a year, funneled into the environmental coffers in liberal amounts by the liberal foundations. The Creative Initiative Foundation bemoans the greed for worldly possessions out of its $500,000 home in a fashionable San Francisco suburb; a vast literature on the superiority of solar, wind, and tidal power is churned out by innumerable presses, none of which run on solar, wind, or tidal power; the officials of the Natural Resources Defense Council and other conservationists dart about in jumbo jets to lecture their fellow citizens on the virtues of bicycling and other forms of energy conservation.

Clearly, there is more to the small-is-beautiful slogan than its literal meaning. The larger message comes through in two works by outstanding representatives of the movement: E. F. Schumacher's *Small Is Beautiful—Economics as if People Mattered* and Amory Lovins's "Energy Strategy: The Road Not Taken" (*Foreign Affairs*, Oct. 1976).

Both of these are well written but would otherwise present little interest, since both utterly disregard any factual evidence. What gives them importance is the gushing adulation heaped on them by the TV networks, the press, and the other workshops of the American opin-

ion-molding industry. It has not been fruitless: Congress has been receiving Lovins's testimony amidst much publicity; in November 1977 President Carter not only consulted with Amory Lovins but shortly afterward repeated a string of his concocted figures; and California's governor Jerry Brown openly admires and quotes Schumacher.

The two publications have much in common in several respects, but perhaps the most striking feature is that they are both credos of unquestioning faith, palmed off to the reader as objective analysis. Lovins's piece is, in this respect, the more dishonest of the two, for while Schumacher's book contains little more than shallow technophobia ("What do I miss, as a human being, if I have never heard of the Second Law of Thermodynamics? Nothing. And what do I miss by not knowing Shakespeare? I simply miss my life.") Lovins's piece is adorned with a string of fabricated figures and doctored data.

AS IF PEOPLE MATTERED

The tone of Schumacher's book is set in the preface by Theodore Rozsak, who deplores "the phony plebiscite of the marketplace" and condemns economics as a science that "must hope and pray . . . that people will never be their better selves, but always greedy social idiots." (Note the "science that must hope and pray"—a contradiction in terms that says more about Roszak than about economics.)

Schumacher himself continues in the same spirit: "The market is the institutionalization of individualism and nonresponsibility. Neither the buyer nor the seller is responsible for anything but himself. . . . To be relieved of all responsibility except to oneself means of course an enormous simplification of business. We can recognize that it is practical and need not be surprised that it is highly popular among businessmen."

Throughout his book, Schumacher gives copious evidence of being utterly unfamiliar with issues of safety in power generation, public health, and technology in general, which is somewhat surprising for one who worked for the British Coal Board until 1971; and his economics shows the same erudition. Schumacher was an avowed socialist, but his argument against the free market is particularly inept and some 200 years out of date.

The free market does not, of course, eradicate human greed, but it directs it into channels that give the consumer the maximum benefit, for it is he who benefits from the competition of "profit-greedy" businessmen. The idea that the free market is highly popular among businessmen is one that is widespread, but not among sound economists. It was not very popular in 1776, when Adam Smith's *Wealth of Nations* was published, and it has not become terribly popular with all of them since—which is not surprising, for the free market benefits the consumer but disciplines the businessman.

If the free market is so popular with business, what are all those business lobbies doing in Washington? The shipping lobby wants special favors for US ships; the airlines yell rape and robbery when deregulation from the governmental CAB cartel threatens; the farmers' lobby clamors for more subsidies. What all these lobbies are after is not a freer market but a bigger nipple on the federal sow.

And responsibility? It is the welfare bureaucracy that robs *homo sapiens* of responsibility: If someone dies after eating detergent, who is responsible? In presently fashionable wisdom, the manufacturer who failed to provide a warning label "not for internal consumption"; the FDA, OSHA, EPA, and dozens of other regulatory agencies; government and society at large, which failed to train, coerce, and watch over its helpless, moronic subjects — everybody and nobody. In contrast, the free market indeed breeds individual responsibility.

HOW SMALL IS BEAUTIFUL?

As a statement, "small is beautiful" is senseless. The small-is-beautiful people will quickly confirm this. They prefer the big bus of collective transit to the small automobile; they love solar power even if it involves collectors on hundreds of square miles; and they hate the nuclear plants that can produce the same power on tiny sites.

Much as they would love to have size and everything else decreed by those who know what is good for us, size is something that evolves to its own optimum, at least in the fields where the Schumachers and Lovinses have not been able to interfere. In nature, for example, species evolve to the "right" size. Warm-blooded animals living in the cold must be a minimum size. There are polar bears, but no polar mice; penguins, but no polar sparrows.

Buildings cannot grow beyond a certain size—skyscrapers significantly taller than the Sears Tower or the World Trade Center would waste too much space on elevator shafts for all those people in the upper stories, and the building would become uneconomical, even though technically it would be feasible to make it taller.

Quite often it happens that a technology develops toward increasing sizes of the product because twice the size will cost less than twice as much; this is called economy of scale. Typically, an oil tanker brings in revenue proportional to the volume of oil carried; but its investment costs are (roughly) proportional to the amount of material used, and its operating costs are partly determined by the fuel needed to propel it. If the linear dimensions of the tanker are doubled, its cargo space increases eightfold, but its surface area only fourfold, and the required propulsion power only threefold (all in very rudimentary theory: the actual figures are slightly different, but the principle and savings remain). Oil tankers, therefore, become more economical with increasing size, which is why they have recently grown to as much as 500,000 tons displacement.

In other cases, of course, economy works in exactly the opposite direction. Typically, semiconductor technology and integrated circuits have *reduced* the size of electronic equipment to an astounding degree. Electronic watches, for example, now worn on wrists and available for under $20, are not fundamentally new. Electronic, quartz-controlled watches have been around since the 1920s, though only central radio stations and astronomic institutions were able to afford them. When made with vacuum tubes, they cost many thousands of dollars, produced great amounts of waste heat, and usually needed a whole (air-conditioned) room to house them. So the modern digital watch might be a case where small is beautiful

(but Schumacher and Lovins, presumably, would prefer sundials or hourglasses).

But they are wrong in the case that interests them most—that of energy sources, particularly electric power plants. Largely through economies of size—larger central power plants—the price of electricity declined from a high of 13.3 cents per kilowatt-hour in 1922 to a low of 3.4 cents in 1974 (both in constant 1967 dollars). Main reason: *large systems waste less energy*. And unlike skyscrapers, electric power plants do not yet seem close to a limit. In fact, looking centuries ahead, some analysts have suggested that our present "energy cells," in which electricity is transmitted over a few hundred miles, will be replaced by far larger "cells" in which hydrogen will be piped over thousands of miles with far smaller losses. The hydrogen, of course, must be produced by investing energy to extract it from water—on a scale for which nuclear energy is the only presently viable candidate.

But whatever the future may hold, the past development of energy sources has shown a consistent trend to more efficient and bigger power plants. The alternative Lovins proposes is energy waste on a gigantic scale: diesel engines in your back yard, fluidized-bed coal furnaces in your basement (they haven't been developed yet—better men than Lovins are still working on them). And why not do it the efficient, clean, and safe way—with centrally generated nuclear power? Because, says Lovins in a metaphor that has since been adopted by every sensitive and aware cocktail hostess, that would be like using a chainsaw to cut butter, for the electricity is made in reactors at temperatures of millions of degrees. This type of agglomeration of words into a meaningless string can be traced back to Barry Commoner, a Marxist biologist who believes thermodynamics can be abused for political ends. But the Commoner-Lovins wisdom is both false and irrelevant. It is false, because the temperature in a reactor, at its hottest point at the axis of a fuel rod, is about 4000°F (600°F at the surface of the pellets); and it is irrelevant, because for what is the energy of the uranium conserved if it is left in the ground?

A discussion of the economic and technological blunders in Schumacher's *Small Is Beautiful* could fill a whole book; in Lovins's case, it *has* filled a whole book, mainly devoted to his outsized technical errors (*Soft vs. Hard Energy Paths*). There are less obvious, but equally distasteful, aspects of the small-is-beautiful mentality. One of these is its deeply antidemocratic, authoritarian undertone.

FEUDAL ENERGY

The energy sources recommended by Schumacher, Lovins, and the other small-and-beautiful people have been tried before—on the feudal manor. Not only are they technologically similar or even identical, but their "softness" consists partly in their small capacity: no more (and practically, very much less) than needed by a single home.

What exactly constitutes "soft" energy is mushy and ill-defined in the small-and-beautiful literature; *soft* seems to mean *primitive, pitiful,* and often *unavailable*. To Lovins, however, who rejects solar energy converted in large, centralized (and more efficient) plants, it seems to be determined by the feudal

feature of everybody producing his own goods for consumption.

Large-scale division of labor is something that has come about only with large-scale industrialization. It has not always been true that some organizations make only shoes, while others make only cloth, and that the man who makes only shirts is rewarded with a salary, some of which he exchanges for shoes, shirts, both, or neither, at his choice. Only a few hundred years ago there was no (significant) division of labor; every family made its own shoes, wove its own cloth, and sewed its own shirts. Families also provided their own energy. Most of it came from muscle power—animal muscles or their own. What little other energy they harnessed came from the type of sources Schumacher and Lovins advocate—solar, wind, water. The sun, in those days, gave approximately one kilowatt per square meter at the best of times, just as it does today; and whether amorphous semiconductors will eventually become available to replace medieval forms of harnessing solar energy will make precious little difference to the general idea.

But the absence of the division of labor is not, by itself, what made the feudal system. The vast majority of people were serfs, bound to the land with which they were bought and sold, working for the owner of that land, the *seignior* or lord of the manor, and completely at his mercy within the harsh code of the medieval Church. Economically, the manors were virtually self-sufficient and in peacetime only loosely tied to the "central" authorities—king, emperor, bishop, pope—who were too far away to make much difference to the local authoritarian system.

Now to go back to feudal energy sources and feudal methods of production *could* merely be inept; it does not necessarily follow that it would have to be authoritarian, too. Perhaps not, although probably it would.

In any case, the small-and-beautiful leave us with little doubt as to their attitude to authority: they worship it. The Creative Initiative Foundation's *Primer for Living* is full of it. Schumacher's admiration for Marx, Mao Tse-tung, and what amounts to feudal technology will make the wary reader think, "Next thing he will do is bemoan people's mobility compared to the good old times when they were bound to the land." Next thing he does is bemoan people's mobility compared to the good old times when they were bound to the land. "A highly developed transportation and communication system . . . makes people *footloose*," he writes (his italics). "Everything in this world has to have structure, otherwise it is chaos. . . . Before the advent of mass transport, the structure was simply there, because people were relatively immobile. . . . Before this technological intervention, . . . people and things were not footloose; transport was expensive enough so that movements, both of people and of goods, were never more than marginal. . . . The basic requirements of life had of course to be indigenously produced."

That is the type of system, along with feudal energy sources and feudal technology, whose praises are sung by Schumacher; and lest there be any misunderstanding, the point is driven home repeatedly. The automobile and jet plane have, to millions in the West, fulfilled man's ancient dream of mobility,

and physical mobility has resulted in social upward mobility as well. But to Schumacher, this spells the "footloose society," and he laments the passing of the times when "the movement of populations, except in periods of disaster, was confined to persons who had a very special reason to move, such as the Irish saints or the scholars of the University of Paris." These idyllic times have not, of course, passed away everywhere. In some countries, movement of populations is still confined to persons who have very special reasons—in the USSR and mainland China, for example.

Schumacher, it should be said, does not *consciously* advocate feudalism. But his vision of cottage industries in small communities with primitive technology, and his call for discipline and authority, are so suggestive of feudalism that just about the only thing missing is the *jus primae noctis* (the right of the lord of the manor to bed any serf girl on the night before her wedding).

Lovins's ideas are no less feudal than Schumacher's. "In an electrical world," says he, "your lifeline does not come from an understandable neighborhood technology run by people you know are at your own social level, but rather from an alien, remote and perhaps uncontrollable technology run by a faraway, bureaucratized, technical elite who have probably never heard of you."

True enough for electricity. But how about your shoes (or anything else but homemade doughnuts)? They don't come from an understandable neighborhood technology, either, and certainly the people who made them "have probably never heard of you." The implication of this disturbing state of affairs is clear: we must go back to the times when every family made its own shoes. At least, that is what Lovins concludes for the case of electricity.

But it is not merely feudal economics that Lovins finds attractive; he also emerges as a firm believer in authority and the proper place for the common rabble. The "soft," that is feudal, path is incompatible with the "hard" path of efficient and central energy conversion, he asserts. Is it because there is only enough capital for one but not for both of these paths? If so, there is a simple and time-honored way to find out how capital is best allotted: from the investors who allot that capital. The reason they know so much more about it than Lovins is twofold: one, they study the question with all the zeal that comes with putting one's *own* money on the line; and two, there are so many of them that the great majority is never permanently wrong—snake oil stocks do not soar for long. But for the small-and-beautiful, economic decisions are not to be made by those who risk and therefore understand; the economy must be legislated, decreed, regulated, and regimented.

Considerations of capital, however, do not seem to be the only reason why Lovins hath ruled the two paths incompatible. The capital investments possible with conservation, says he, are far less than those needed to increase "most" kinds of energy supply, and "a largely or wholly solar energy economy can be constructed in the US with soft technologies that are now economic or nearly economic." And elsewhere: "An affluent industrial economy could advantageously operate with no central power stations at all." Not to mention that "in the soft path, conversion and distribution losses have been all but eliminated" (with this claim, Lovins not only revolutionizes economics but revokes a basic law of physics) and that domestic fluidized-bed coal furnaces [not yet invented] have combustion efficiencies of over 80 percent.

The energy sources recommended by Schumacher, Lovins, and their kind have been tried before—on the feudal manor.

The many sensible, if limited, applications of solar energy will be hidden by the lemons and rackets subsidized by governmental sunworshippers.

That is a lot of good news all at once. The puzzle is that the "greedy" princes of capitalism are not yet trampling each other to death in the mad rush to exploit these fabulous technological innovations. Obviously, they are too stupid to know what is good for them. But Lovins's home team, the Friends of the Earth, together with a dozen other well-heeled organizations, will coerce them for their own good. Not via the ballot box, of course—a diabolical institution that should never have been given to the rabble—but by the courts, the regulatory agencies, the federal bureaucracy, by guerrilla tactics that price "hard" technologies out of the market, and by whatever other forms of coercion, intimidation, and misinformation are available to them.

Some of the present "soft" technology already carries the seeds of coercion. Gigantic windmills that produce pitifully small amounts of power but cost millions of dollars are not paid by the consumer's free choice, but by the taxpayer, whose money is being squandered by reckless politicians. The "100 billion dollar bail-outs" and "oligopolies" with which Lovins charges the energy industry are entirely mythical, but billions of dollars of taxpayers' money are to be handed out by the government in the form of tax credits, rebates, subsidies, and incentives to a solar industry that might not make it on its merits. Indeed, the many sensible, if limited, applications that solar energy *does* have will not emerge as the best that were filtered out by a free market; they will be hidden, and perhaps smothered, by the lemons and rackets kept alive with the subsidies from the governmental sunworshippers.

But the small-and-beautiful crowd's love for coercion and contempt for the ballot box is best illustrated by the case of nuclear power. In the 1976 elections, in seven states representing 20 percent of the US electorate, the small-and-beautiful placed on the ballot what was in effect a ban on nuclear power. These states were picked by the nuclear opponents as the most likely to approve such a ban. Instead, they defeated it by an average margin of two-to-one!

The tactic that was then adopted, and proved more successful, was to price nuclear power out of the market by abuse of the legal system and forcing artificial delays. But such obstructionism, supported by a broad assault of horror fiction in the mass media, was still not enough. In the summer of 1977, the small-and-beautiful met in Salzburg, Austria (the conference was attended by both Schumacher and Lovins) and decided to "raise the social and political costs of nuclear power" by acts of lawlessness, such as occupying construction sites of nuclear power plants. In Europe, these tactics provoked large-scale vio-

The pseudo-environmentalists could be kidding themselves that they are motivated by the desire to live in harmony with nature and to do mankind a good turn.

lence, with at least one dead and hundreds of injured. In the United States, the small-and-beautiful openly admire such violence and have tried hard to instigate it in New Hampshire, California, Oregon, and other places.

The way of the small-and-beautiful does not lead through the ballot box; it is the way of the rope puller and manipulator, and it is not averse to the way of the storm trooper.

VULNERABILITY

Another ill-defined concept pervading Schumacher's and Lovins's writings is that of vulnerability, a disadvantage attributed to "hard" but not to "soft" energy sources. Vulnerable to what? To war, to routine outages, to sabotage, to industrial strife, to fuel shortages, or to what? It never quite comes through the mush. But though Lovins uses the term *vulnerability* flexibly to boost the varied aspects of his far-out theories as needed, the main use seems to be reserved for propaganda against nuclear power, the use of which would allegedly lead to a police state. Constant repetition will not make this inept argument any better: 30 years of shipping large quantities of nuclear bombs, not harmless fuel assemblies, have not turned this country into a police state; ensuring the security of hydroelectric dams, which are more difficult to guard, more easily sabotaged, and far more lethal than a nuclear plant in the disaster they could cause, has not done so either. The idea that nuclear *power* could lead to proliferation of nuclear *bombs* is just false.

In general, nuclear power is safer, cleaner, and environmentally more benign than any other source of electricity. The fact that the advocates of the small and beautiful, and typically Schumacher and Lovins, consistently ignore the comparison with other power sources should tell us clearly that they have very little interest in safety or a clean environment.

The idea that a small, community-wide electrical system should be less "vulnerable" than the interstate power grids is laughable. The very idea of a grid is the pooling of resources, so that a local net in trouble can receive aid not only from its own but also from other utility systems, often in other states. The Lovinsian mini-system of windmills and chicken manure could probably never be tested in sabotage, war, or industrial strife: it would scarcely make it through the first snow storm.

AND YET...

And yet the US energy system is indeed horribly vulnerable in a way that the Lovinsian fantasies not only ignore but help to exacerbate.

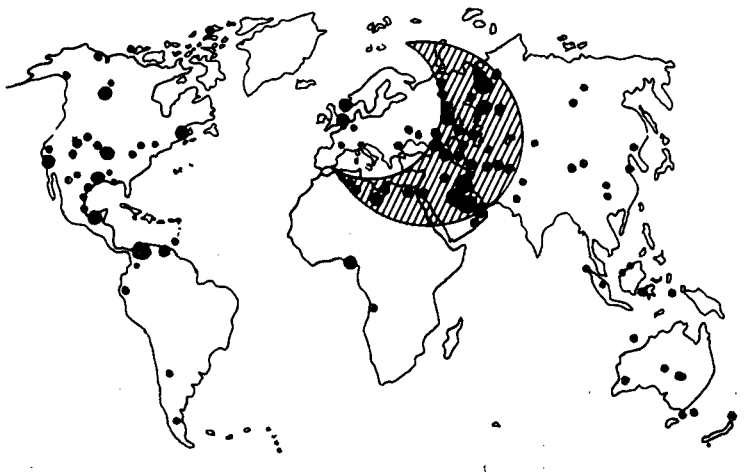
In 1976, the United States imported oil and petroleum products at the rate of 7.12 million barrels a day, 40.6 percent of its total demand. New oil and gas is being kept underground by price controls; both digging and burning of coal is hamstrung by environmentalist obstructions; nuclear power, which with breeder technology could provide this country with its electricity for 1,000 years, is being hounded and harassed by an unholy alliance of the mass media with the environmentalist zealots in the Carter administration.

Now take a look at the world map of major oil fields, 60 percent of which lie in the crescent-shaped area inside the USSR or dominated by it. The USSR is now the world's biggest oil producer (bigger than Saudi Arabia), and its production is rising; that of the United States is declining. The USSR is moving into a position of control of the world's oil spigots and of sea lanes from them, and that control means economic, military, and possibly political control of the nations that must import their oil from that crescent-shaped area of the world—the United States among them.

Only the utterly naïve would fail to recognize the signs that the USSR is, in fact, actively pursuing such a goal: the feverish build-up of the Soviet navy; the all-out effort to dominate the Middle East; the effort to control the oil shipping lanes to Europe and the United States, including the political campaigns against Israel and South Africa, the effort to dominate the African horn, and the conquest of Angola—these are some of the signs of a consistent Soviet foreign policy.

But for those who are blind to these signs, there is also documentary evidence that the Soviets are pursuing a deliberate policy of making the West more pliable by disrupting its energy supplies. Andrei Sakharov, the courageous dissident scientist who, as father of the Soviet hydrogen bomb was high up in the Soviet establishment in 1955, has given this testimony:

(*Continued on p. 31.*)



The crescent-shaped area contains 60 percent of the world's major oil fields and 68 percent of the world's gas fields (A. A. Meyerhoff, Economic Impact and Geopolitical Implications of Giant Petroleum Fields," American Scientist, *Sept.-Oct. 1976).*

regulations that are killing us

THE FDA EFFICACY REQUIREMENTS HAVE BOOSTED THE COSTS OF DRUGS, SLASHED THEIR RATE OF INTRODUCTION, AND DEPRIVED THE SICK AND DYING OF VITAL MEDICINES.

BY MICHAEL SILVER

IMAGINE THIS SITUATION: you are stricken with a very serious and possibly fatal disease. There is a known drug that might cure your illness but, because of US government regulations, neither you nor your doctor are permitted to obtain it. "Impossible!" you say? According to numerous medical experts, economists, and at least 113 members of Congress, such a regulatory nightmare not only exists but is causing perhaps millions of Americans to suffer and even die from illnesses that might very well be cured —or at least alleviated.

The controversy centers around the restrictions imposed by Congress and implemented by the Food and Drug Administration (FDA) over the interstate pharmaceutical drug market. Most experts agree that before a drug is marketed, it should be proven safe to use. As far as the federal government is concerned, however, proof of safety is insufficient. Ever since 1962, drug manufacturers have been required to prove that their products are not only safe but also *effective* in combating illnesses, as claimed. Because effectiveness is very difficult and expensive to demonstrate, however, some observers maintain that the costs of clearing a new drug with the FDA often are greater than what the drug could possibly earn in profits. Consequently, many drug companies are reluctant to work on developing medicines that could be very useful for some patients but would not be likely to bring in hefty earnings.

Regulation of the drug industry was ushered in with President Franklin D. Roosevelt's New Deal. In 1938, after it was discovered that potentially poisonous drugs had been marketed without proper testing, Congress passed the Food, Drug and Cosmetic Act, giving the FDA authority to require proof of safety. Then, in 1962, Congress passed the Kefauver-Harris Amendments, requiring that drugs be proven effective as well before being licensed for commercial distribution. This action was taken in the wake of revelations that thalidomide, a sedative that had been very popular in Europe, could cause birth defects in the children of women who used the drug during pregnancy.

Critics argue that enactment of the efficacy legislation was illogical, since the issue that prompted it was purely a matter of safety (and, even so, thalidomide was never approved for use in the United States, having been screened out as a potential danger by FDA medical officer Frances Kelsey.) These experts claim that the effectiveness requirement has done little more than stifle innovation in the drug industry.

BALLOONING COSTS

The FDA's drug approval process is very time-consuming and expensive. The first step in clearing a new drug for sale is to test it with animals. If animal tests indicate that the drug is likely to be safe for human consumption and might be effective in combating a disease, the FDA closely supervises three phases of extensive experiments with people: first with healthy subjects and later with actual patients. Using just a few patients for the early tests and as many as several thousand during the final phase, experimenters administer the drug to see if it causes the desired result without any serious adverse side effects. Upon completion of the tests, FDA scientists organize and analyze all of the accumulated data and make a final decision to approve or not approve the drug.

From beginning to end, this process takes years—usually over a decade, sometimes nearly two decades—and critics charge that much of the delay is caused by testing for efficacy. Prior to 1962, it took only two to four years for a drug to undergo FDA investigations. In particular, the final stage of approval (that of analyzing the data) is significantly slowed because determining effectiveness is much more complicated than determining safety.

Indeed, a number of experts contend that proving efficacy actually is *impossible*, because drugs cause different reactions in different people. It is seriously irresponsible, some say, to ban a drug that might be ineffective for most people but very helpful for a few. "We have seen cases where members of the same immediate family will react differently to a drug," claims Kern Smith, executive vice-president of the Health Industries Institute, a trade association for drug manufacturers. "And sometimes the FDA will keep a drug off the market even if it demonstrates efficacy in 20 percent of their own test subjects."

Moreover, during the drawn-out period when a drug is undergoing tests, patients with terminally fatal diseases are not likely to be overly concerned about "wasting their money" on a drug that *might be* ineffective (or even a little dangerous, for that matter).

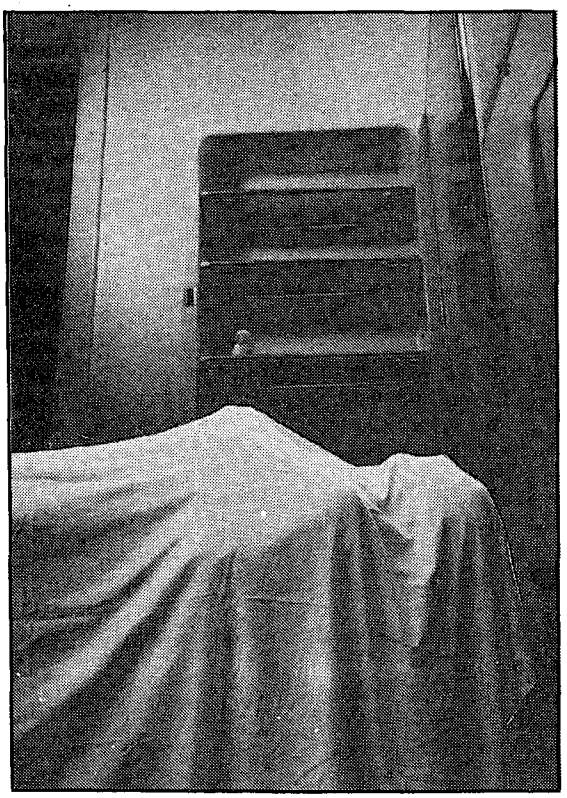
But perhaps the most damaging argument against the efficacy amendments is this: The costs of the FDA approval process are paid by the company that wants to market the drug in question. When only proof of safety was required, these costs averaged about $1 million per drug. Today, mostly as a result of the efficacy amendments, some experts maintain that the figure has risen to nearly $40 million. Consequently, small drug manufacturers often cannot afford to develop new medicines, and even major firms are reluctant to do so because they might not earn sufficient profits to cover the enormous expense.

"This is a very clear-cut case where government intervention is warping the ability of private companies to serve consumers," asserts industry spokesman Smith. "The smaller companies, especially, are stifled by this because they don't have the financial resources to meet the FDA's standards. And it's the drug consumers—the elderly and the sick—who suffer because medicines which might help them cannot be made available."

In 1974, Professor Sam Peltzman of the University of Chicago's Graduate School of Business conducted an extensive study of the 1962 amendments. Publishing the results in a booklet of some 100 pages, *Regulation of Pharmaceutical Innovation*, he concludes that the efficacy requirement acts as a serious detriment to the development of potentially life-saving medicines. "Before I did this study my feeling was that a regulation of this kind could have both costs and benefits," Dr. Peltzman recalls, "and I didn't have any pre-conceived notions about it before I began. But it soon became clear to me that the magnitude of the costs and its very counter-productive effect on the drug market outweighed any conceivable benefits that

this regulation could have."

Professor Peltzman discovered that, with the efficacy requirement, the cost of developing new drugs skyrockets, and in the process the availability of medicines falls by more than 50 percent. In the 10 years before the 1962 amendments, the pharmaceutical drug industry marketed an average of 43 new medicines each year. After the requirement for effectiveness was instituted, the number of drugs introduced in the United States began to decline sharply—at first, down to an average of 17 per year and, according to more recent statistics, it is now as little as 13 per year. When companies are determined to withstand the bureaucracy and promote their drugs *until* approved, the extra expense is usually passed on to consumers in the form of higher retail prices.



Measured against these negative aspects, the benefits of the efficacy amendments seem minimal, to be sure. Before they were enacted, Dr. Peltzman found, less than 10 percent (and possibly as little as 5 percent) of drugs sold on the market were deemed ineffective by the medical profession. "Even after the amendments were passed, there were still some ineffective drugs that managed to get through the FDA tests and onto the market," Peltzman observes. "So the advantages of the amendments could actually be less than it appears—and it appears that they are very small."

CONSUMER "PROTECTION"

Other research tends to reinforce Professor Peltzman's conclusions. Two pharmacologists at the University of Rochester—William M. Wardell and Louis Lasagna — discovered that, of all drugs marketed in both the United States and Britain between 1962 and 1971, more than half were introduced in Britain first (an average of 2.8 years before the FDA permitted them to be sold in the United States).

"There are drugs which, in my judgement, have been proven effective for years in other countries," says Dr. Lasagna, "and yet they are not available in the United States because of the attitude at the FDA. You can hold off approval on a drug forever because it can always be argued that it hasn't been proven sufficiently effective or safe when, in fact, the same drug might have been used safely and effectively for decades—and this seems to be the way that some of the bureaucrats at FDA are thinking."

- Drugs to ease heart ailments, in particular, have suffered in the United States at the hands of FDA foot-dragging. US doctors are permitted to use only about one-eighth of the more than 45 new heart and circulatory medicines that have been introduced in other countries since the mid-1960s.
- For example, in recent years a new family of drugs for treating high blood pressure and a painful heart affliction called angina has come into wide use in Europe. Known as beta blockers, only one form of this medication, propanolol, is licensed by the FDA for use in the United States. Pharmacologists Wardell and Lasagna report that an elderly woman had to be treated in Britain with a different kind of beta blocker (which, of course, could not be obtained here) because propanolol made her ill.
- Heart disease patients have not been the only victims of the efficacy amendments. Cromolyn Sodium, a drug that in some cases greatly reduces the agony of asthma, was finally approved by the FDA in 1973, though it has been available in Britain since 1969 (where it is now the third most prescribed drug).
- Between 1967 and 1971, five new drugs to ease the effects of hypertension were introduced in Europe but, although hypertension burdens nearly one-eighth of all Americans, *none* of these drugs has been cleared by the FDA. In fact, there has not been an approval for any new general-purpose antihypertension drug since 1963.
- Sodium Valproate, viewed by many experts as one of the most effective drugs in preventing epileptic seizures, has been used successfully for more than a decade in 16 foreign countries. Although the FDA finally approved the drug in April, its foot-dragging caused up to a million needless seizures each year.

The 1975 *Economic Report of the President of the United States* came out with heavy criticism of the efficacy amendments, arguing that they not only have increased costs and caused unnecessary delays but also might be without any significant value at all. "It is not clear that the average efficacy of drugs introduced after 1962 is any higher than that of drugs previously introduced," the report concluded. In April 1976, the President's Biomedical Research Panel declared that the FDA "has become a formidable roadblock" to the development of "potentially useful drugs."

"It is indeed ironic," Dr. Lasagna remarks thoughtfully, "that what was supposed to be a program to protect consumers is actually increasing their exposure to greater disease by taking away possible cures."

A FREEDOM ISSUE

In 1972, 22 leading medical experts, disturbed by the consequences of the efficacy amendments, combined forces and protested to Paul G. Rogers, chairman of the Health Subcommittee in the House of Representatives. This unofficial but distinguished group—led by anesthesiologist Robert D. Dripps and including Dr. Lasagna, heart surgeon Michael DeBakey, and cardiologist Irving H. Page—complained to Congressman Rogers that the FDA approval process is "causing us to fall behind in... medical science" and "may be depriving the practicing physician of agents beneficial to patient care."

Though coolly received by Congressman Rogers, this communication prompted outrage elsewhere on Capitol Hill. Representative Steven D. Symms introduced legislation to repeal the efficacy amendments altogether. The proposed Medical Freedom of Choice Bill would, he claims, "lessen the price and increase the availability of safe pharmaceutical drugs to the American public." Symms has been one of the FDA's strongest critics since he was elected to Congress in 1972. "There is a tremendous and totally unnecessary additional cost of medicines burdened upon the public by the efficacy amendments," he says. "This is particularly burdensome for the elderly senior citizens who really need these drugs."

"In this country, we have a system of professional medical care, where we have well-trained physicians who have to meet very high standards before they can practice medicine. And in each individual case, the doctor and the patient should have the freedom to decide which drugs might be useful, which might be dangerous or ineffective in that particular case—and you don't leave that decision up to a bunch of bureaucrats who aren't skilled physicians."

At first, Symms's bill had difficulty attracting supporters. Even some of the academicians most vocal in their criticism of the 1962 amendments were reluctant to endorse complete abolition of all requirements for efficacy (in fact, a few still are). Symms himself was viewed as a very conservative politician (which he is) whose motivation might be to terminate *all* government regulations. Indeed, Symms's political campaigns are dominated by his unswerving support for the limited government/free enterprise system, and he concedes that the Medical Freedom of Choice Bill is largely an outgrowth of his economic philosophy. "The issue here is freedom," he says emphatically—"the right of citizens to decide their own destinies." Thus Symms probably had more trouble obtaining support for the bill than if it had been proposed by a political figure of more moderate standing.

Nevertheless, Symms persisted in promoting the legislation, and his efforts have begun to meet with some success. What emerged as an unlikely proposal endorsed by only a handful of Symms's fellow conservatives on Capitol Hill now has at least a chance of being passed (though probably not in the immediate future). At present, the bill has 113 House cosponsors from all corners of the political spectrum, including Republican moderates such as Guy A. Vanderjagt (one of the GOP's leading dissenters in the House) and liberal Democrats like Thomas J. Downey (the youngest and one of the most reform-minded members of Congress) and Leo J. Ryan (who often finds himself taking positions left of the already liberal Democratic leadership)—and even Shirley Chisholm, the practically radical black congresswoman whose unsuccessful bid for the 1972 Democratic presidential nomination was based on a platform more liberal than that of the senator who finally won the candidacy, George McGovern. (More recently, however, some of the liberals have begun to favor an administration-backed reform bill [see box].)

As a matter of fact, Representative Chisholm has done more than just offer her vote of support: last year she and Symms coauthored a letter to their colleagues urging them to help pressure the FDA to expedite the approval of Sodium Valproate. "The harmful results of the efficacy amendments are so clear," notes Symms, "that support for this legislation cuts across traditional political boundaries."

And what about repealing the 1938 requirement that drugs be proven *safe* before they are marketed? Of course, proving safety is not nearly so time-consuming nor expensive as proving efficacy. Still, because different patients vary in their reactions to drugs, medications that are dangerous for many may be completely safe for others and possibly helpful in curing disease. Though he acknowledges that this argument may have some legitimacy, Representative Symms opposes an extension of his bill to abolish the FDA's safety provisions. "The American public is not prepared to embrace a concept of freedom that is of such a drastic nature," he suggests cautiously, adding, "Besides, the safety requirements have actually had an important beneficial effect and I think that repealing them could put the public in some danger."

THE LAETRILE SPECTER

Though partially related in certain respects, Congressman Symms stresses that the Medical Freedom of Choice Bill should be distinguished from the highly explosive laetrile controversy. Hard-line laetrile advocates are demanding that this purported cancer-curing drug, made from an abstract of apricot pits, be licensed for distribution throughout the country. Already, laetrile has been cleared for use by a number of individual states, but interstate sales of the drug are still forbidden by the FDA.

For years, most of the medical profes-

FDA Reform: Alternatives

Almost no one is now satisfied with the FDA's performance in the area of drug regulation, particularly when it comes to proving the effectiveness of drugs. Congressman Steve Symms's bill (HR 12371) is in competition with one sponsored in the Senate by Edward Kennedy (S 2755) and an identical one sponsored in the House by Paul Rogers (HR 11611). The Kennedy-Rogers proposal is backed by both the Carter administration and the FDA.

The Symms bill would:

- Abolish the efficacy requirement, keep the safety requirement, and require labeling that a drug's efficacy has not been judged by the FDA.
- Abolish the requirement that raw data on (safety) testing be submitted by drug companies and require submission only of certified *summaries* of methods and results, with raw data available for FDA inspection.
- Limit the FDA to only one 180-day extension of the processing deadline.
- Require the FDA to report semiannually to Congress, covering the status of each drug-approval application and providing a list of foreign countries where the drug has been introduced.
- Require the FDA to show administrative costs and economic implications for consumers of any proposed new regulations.
- Allow either house of Congress to block new FDA regulations.
- Require the FDA to provide technical assistance to small firms.

The Kennedy-Rogers bill would:

- Maintain the efficacy and safety requirements and, in addition, authorize HEW to require efficacy tests if a drug is "known" or "expected" to be put to uses not claimed effective by the manufacturer.
- Authorize the FDA to refuse approval of a drug if it is not statistically safer and more effective in its use than any drug already on the market.
- Require that all (raw) drug-testing data be available to the public (with apparently unenforceable provisions against a manufacturer's competitors' obtaining the information).
- Set up a National Center for Clinical Pharmacology to develop drugs with limited market potential—drugs currently neglected by manufacturers because of the cost of meeting regulatory requirements.

Symms's approach is to alleviate the problems generated by the 1962 efficacy amendments by removing the issue of efficacy from the FDA bureaucracy and leaving it to the drug companies and to consumers and their physicians. Symms would also exert more congressional control over the FDA, so that the costs of FDA regulation—delays in drug approval, the paperwork burden, and increased drug prices—might be kept in public focus. The Kennedy-Rogers-Carter-FDA plan is hardly comparable. It would not attempt to cut back the government's costly and time-consuming role in drug matters but would increase that role by maintaining and expanding the FDA's and HEW's mandate with respect to drug efficacy.

—M.Z.

sion has alleged that laetrile is completely worthless as a cure for cancer or anything else. Moreover, recent incidents involving the drug have raised questions about its safety. As a result, the FDA continues to issue stringent warnings against using laetrile—particularly when it is purchased from manufacturers who are operating illegally. Although Congressman Symms would like to see laetrile eventually cleared by the FDA (after a method is developed to produce it in a form that meets with federal safety requirements), he urges those who might be suspicious of laetrile not to deny the benefits of his bill. "Laetrile is not by any means the most important drug I'm concerned about," he says. "There are numerous other drugs, which have the strong support of the medical community, that are being kept off the market by the efficacy amendments."

Mr. Symms charges that some opponents of the Medical Freedom of Choice Bill are behaving irresponsibly by trying to link the laetrile issue directly with the drive to repeal the 1962 amendments and thereby discredit his entire legislative effort—particularly in the eyes of medical experts who have not yet made up their minds about the drug effectiveness debate. Last May, the *Washington Post* editorially condemned the bill as "scary," claiming that it is "being advanced in the emotional atmosphere generated by laetrile." In a reply printed two weeks later, Symms charged the newspaper with following the "policy of a great deal of the media" to ignore the potential benefits of his bill and added that, if anything, it is the *Post* that permits its editorial opinions to be "advanced by the laetrile issue."

FDA FIGHTS BACK

Whether or not they use the laetrile issue irresponsibly, opponents of the Medical Freedom of Choice Bill are firm in their criticism of efforts to repeal the efficacy amendments. Not surprisingly, FDA bureaucrats, who stand to lose a lot of authority if Symms is successful, are bitterly opposed to the proposal and maintain that federal control over the drug industry should be enforced more aggressively, not weakened. Some FDA officials even hint that supporters of deregulation simply are trying to promote their own political or academic careers with a fraudulent cause.

"The efficacy amendments are a basic form of consumer protection," declares FDA spokesman Wayne L. Pines, "and they provide the public with an ability to have at least some confidence in this country's drug system—in how drugs are developed and marketed to ensure that an average consumer is not deliberately cheated or put in any unnecessary danger. I don't think the co-sponsors of Symms's bill are supporting it out of any kind of hysteria, but I do think that they are taking the wrong approach."

As FDA officials see it, the requirements for effectiveness and safety are interrelated to such a large extent that to abolish one would seriously weaken the other. "You can't separate safety from efficacy," claims Mr. Pines, "because all drugs that have any kind of an effect also pose some kind of safety hazard. There's no such thing as a *completely* safe drug—if a drug affects your disease it's also going to affect other functions in your body. What we do at FDA is try to make a basic decision—we call it a benefit/risk decision—as to whether a certain drug is likely to have sufficient advantages to make it worth the possible risks it's going to impose."

Mr. Pines acknowledges that the FDA's drug approval process requires an enormous amount of time and money but maintains that such inconvenience is necessary to ensure public protection. "Before we let a drug go on the market," he says, "we want to be as sure as we can that it's safe and will do the job that it's supposed to do." At the same time, however, Mr. Pines maintains that federal health officials are not insensitive to the problems created by FDA foot-dragging. He points out that the FDA presently is formulating its own legislative proposals to enable critically ill patients to obtain certain drugs that are still undergoing experimentation. "We *are* concerned," he insists. "We are concerned that we do not have strong enough ties with the private medical community, we are concerned that keeping drugs off the market too long can sometimes do more harm than good, and we are concerned that the laws might need up-dating to make them more workable in the present."

GOING TOO FAR?

While very few observers expected to find the FDA in support of the Medical Freedom of Choice Bill, it does seem a little odd that some of the efficacy amendment's strongest critics also are against complete repeal. This is a hurdle that Symms will have to overcome if he hopes to see his legislation enacted. For if the bill is opposed by a large number of medical experts, Congress will be very reluctant to pass it.

Already, the FDA's most vocal critics are refusing to endorse Symms's proposal. "I feel that the efficacy amendments are an important concept and can be made to work more in the public interest," remarks Dr. Lasagna, a long-time opponent of FDA policy. "My basic criticism is of the way that the bureaucrats have interpreted the law. Right now, I would say that most people at the FDA feel that it's their job to keep drugs *off* the market. And I think this negative interpretation should be transformed into a positive interpretation so that the FDA helps a proponent of a drug—whether it be an industrial proponent or anyone else—to find out if it is effective or not and get it on the market if it is. But repeal the efficacy amendments? No—I think that's going too far."

Congressman Rogers, who heads the House panel with authority over the Medical Freedom of Choice Bill, is fiercely opposed to repeal of the amendments. Though willing to consider modifications of the FDA's approval process, Rogers refuses even to hold hearings on Symms's legislation until it has more than 50 percent of all representatives as cosponsors (at which point House rules would force him to hold hearings).

Sen. Edward Kennedy, chairman of the Health Subcommittee in the Senate, has proposed compromise legislation that would enable critically ill patients to obtain some partially tested drugs, but only under the FDA's close scrutiny. This proposal is approved by the FDA (see box) but is opposed by those who favor total repeal of the efficacy amendments on grounds that it would result in giving the FDA direct control over an ever-increasing number of medical cases that should be left in the hands of private practitioners. "If we go down this road, we're going to have cook-book medicine in America," Congressman Symms remarks sharply, "where decisions regarding medical care will be made by bureaucrats who are not qualified to do so."

At present, the future for the Medical Freedom of Choice Bill is uncertain. Opposition to the legislation may grow enough to prevent enactment—notwithstanding the bill's 113 cosponsors. Congressman Symms, however, remains confident and is seeking to take his argument for the bill to the general public. He predicts, "If the American people decide that they have had enough bureaucracy, enough ill health and high-priced medical costs, then Congress will have to consider this legislation seriously."

"In the end," the congressman concludes thoughtfully, "it will be up to average Americans to push for their own rights in health and medicine." ◻

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REGULATION?

Bureaucrats who try to peg prices to production costs face an impossible t

BY E. C. PASOUR, JR.

THE NATURAL GAS SHORTAGES during the past two winters vividly illustrate the effects of government regulation. Although natural gas and other energy shortages can be traced directly to government intervention, this fact is still not generally accepted by most politicians, newspaper editors, television commentators, or, indeed, by the public at large. Instead, numerous other specious reasons are cited for energy shortages. How often have you heard them attributed to the lack of "a national energy policy" or to the failure of citizens to practice proper "conservation" measures?

Although there is no consensus as to the cause of our energy problems, there is widespread dissatisfaction with regulatory activities at both state and federal levels. Increasingly, questions are being raised about their effectiveness, and we find such disparate observers as Milton Friedman and Ralph Nader being highly critical of the results of government regulation of economic activity. Yet, there is a profound difference of opinion as to *why* government regulation is failing to achieve its stated purpose. Friedman contends that its shortcomings are innate in the political process. Nader, on the other hand, places the blame on the leadership of the regulatory agencies: the solution lies in stronger regulatory agencies with "better" regulators. Could it be that neither of these explanations is adequate?

Though all government regulation is beset with problems, price regulation is an interesting case of its own. The ostensible aim of government intervention in the price field is to ensure that price is based on production costs. Despite the opinion from diverse circles that economic regulation is not achieving its stated purpose, there is increasing pressure to have the prices of electricity, oil, natural gas, and even agricultural products pegged to production costs. President Carter assured farmers during his presidential campaign that farm prices should be high enough to cover production costs. A major feature of his 1977 farm bill was the linking of price supports for agricultural products to production costs.

All of this assumes that the costs relevant to production decisions can, in fact, be determined by government regulators. Politicians have assumed this blithely, but even most economists have paid relatively little attention to problems faced by outside observers in determining costs as they influence production. In fact, however, it is *impossible* for the outside observer to measure costs that motivate individual choices. Hence government regulation *cannot* achieve its objectives. The basic problem lies not in laxity, ineptitude, or venality on the part of leadership and staff of the regulatory commissions. The difficulty is that costs are inherently subjective, so regulators can't set prices or rates of return on the basis of production costs. This inability to measure cost objectively is largely unrecognized even by economists, except for members of the Austrian school—Ludwig von Mises, Murray Rothbard, et al.

WHAT ARE COSTS?

All economists define cost in terms of opportunity cost. The opportunity cost of any decision involves the decisionmaker's conscious sacrifice of an available opportunity. The cost of a vacation trip, for example, is the value of the boat or refrigerator (and other alternatives) forgone if the trip is taken. Since cost as it influences the decisionmaker's choice is based on his unique anticipations, it cannot be discovered by another person. This is the insight of the Austrian economists—that the cost of any activity is inherently subjective. There is no way for outside observers to objectively measure the costs relevant to decisions actually made.

The generally accepted economic definition of cost in terms of opportunities forgone is consistent only with the basic subjectivist approach of the Austrians. Yet conventional, non-Austrian economists assume that cost is objective, that the cost of production incurred by a particular firm in producing wheat, electricity, and other products can be determined by outside observers. So to Mr. Jones, for example, the "cost" of operating his automobile can be obtained by merely adding together the outlays for gasoline, oil, tires, and other variable expenses required per

FATAL FLAW

– because these costs include factors known only to the businessman.

mile of travel.

Summing up outlays actually incurred, however, does not provide the relevant cost that motivates individual behavior. Outlays actually incurred by an individual or business firm are historical "costs." Although the IRS requires that historical costs be used for tax purposes, they are not relevant to current choices. Historical costs all fly in the face of a basic economic principle—"bygones are forever bygones," or "past costs are lost costs." The relevant costs in any economic decision are whatever costs vary with the decision to be made—the opportunity costs. Accounting "cost" data, on the other hand, are always historical and therefore cannot reveal the opportunity costs that motivate choice. Since opportunity costs are based on expectations and are necessarily subjective, decisionmaking activity requires more than a capacity for arithmetical calculations. It also requires subjective judgment by the decisionmaker.

INDIVIDUAL FACTORS

Why can cost not be determined independently of subjective judgments? Consider Mr. Jones and the cost of operating his automobile. There are many possible ways in which subjectivity enters cost calculations. For example, estimated overhead expenses, including depreciation and interest, cannot be computed independently of the expected life of the car. The expected life of an auto, however, is uncertain and subjective, varying with the decisionmaker's views about future use and obsolescence. There is no way for Consumer's Union or any other outside observer to determine the overhead costs relevant to any particular decision made or contemplated by Mr. Jones about purchasing or replacing his auto. There is no consensus on the cost of operating a given size and make of auto because subjective judgments are inherent in cost.

The same basic problem is faced, regardless of the type of economic activity, in determining the overhead cost of capital plant and equipment. Any planning activity must deal with an uncertain future. Expectations concerning future demand and cost conditions are always crucial in determining whether to continue to operate with present facilities or to replace plant or equipment. Again, the "cost" records of a business firm may bear little relationship to the opportunity costs that motivate the decisionmaker. Yet the regulator as an outside observer has access only to these historical cost data.

For Mr. Jones, subjectivity also enters cost estimates when placing a value on his time. What is the appropriate cost of time to use in estimating his cost of operating an automobile? It is the opportunity cost of the time spent in driving. In going on a particular trip, Jones may prefer to travel by plane rather than auto because he places a high value on the time required to drive. Travelling by car is a very expensive way to travel for individuals for whom the opportunity cost of time is high. Only Mr. Jones, however, can accurately value the alternatives forgone from time spent in driving.

We observe that middle-income people are more likely to travel by car and high-income people are more likely to travel by air. In some cases, however, this will be reversed—which doesn't mean that the opportunity cost of time isn't important. It reflects the fact that the opportunity cost of time varies widely among persons and for a given person depending upon the particular circumstances.

A moment's reflection is all that is required to see that the opportunities forgone by Mr. Jones when he chooses to drive instead of fly are subjective and impossible for an outside observer to measure. The key point is that the decisionmaker alone is able to evaluate the value of the alternatives forgone as a result of the action taken. This explains why objective cost estimates are often inconsistent with observed behavior. People drive their cars when objective "cost" estimates show that it would be less expensive to go by bus or to car pool. The problem with these and other similar examples is that the objective estimates of "cost" do not correspond to the subjective costs that motivate individual behavior.

How is the Austrian approach to cost related to the conventional approach? In conventional neoclassical economic theory, it is assumed that costs and returns are given or known to economic actors

and observers. Abba Lerner, for example, in a recent paper discusses the advantages and disadvantages in public utility regulation of setting price on the basis of "marginal costs" versus "average costs." It is implicit throughout the paper that data on costs and demand are given (or that there is no problem in obtaining these data) and that the only problem is to decide the appropriate pricing policy. The Austrian approach, on the other hand, stresses the fact that data on costs are not given, that a key function of any decisionmaker is to estimate prospective costs in choosing, and that these costs are necessarily subjective.

Since the costs that motivate the decisionmaker cannot be determined by outside observers, the failure of regulatory commissions is not surprising.

"FAIR PRICES"

The distinction between objective and subjective views of cost has definite implications for the theory of economic regulation. Most of the attention in price-setting regulation has been devoted to the problem of monitoring firm costs in the case of so-called natural monopolies. Natural monopolies are usually defined as cases in which one firm is the exclusive producer because of economies of scale in producing the good or service. Prime examples are the provision of electricity, telephone, transportation, and natural gas; and regulatory commissions are active throughout the United States, estimating production costs in order to set rates. This activity presumes that the government regulator *can* objectively estimate cost.

In the Austrian terminology, it is peanut prices that determine peanut production costs and not production costs that determine peanut prices.

Regulatory commissions were set up to insure that public utilities and other "natural monopolies" charge a competitive price (or rate of return) as determined by production costs. Here, they can rely only on the firms' accounting "cost" records, which reflect historical costs and not the opportunity costs that motivate entrepreneurial behavior. Attempts to force utilities to set price equal to opportunity cost can be no more than hollow appeals.

Since the costs that motivate the decisionmaker cannot be determined by outside observers, it is not surprising that economic studies find the effects of regulatory commissions to be quite different from those envisaged by the original proponents of regulation. Stigler and Friedland, for example, in a pioneering study, found the regulation of electrical utilities to have no significant effect on utility rates.

It may well be that regulation that has no effect on rates is most fortunate from the consumer's standpoint. There is no reason to expect that holding down current rates and thereby curtailing future supply below the level of an unregulated public utility will redound to the benefit of the public. It is much more likely that the effects will be similar to those of price controls on oil and natural gas. Energy shortages of natural gas during recent winters can be directly attributed to these controls, which reduced production and increased desired consumption relative to the production and consumption levels dictated by market conditions.

Cost of production as it influences producer decisions will vary from producer to producer depending upon the entrepreneur's assessment of present and future production conditions. The value of forgone alternatives (opportunity cost) will vary from producer to producer both because the alternatives vary and because decisionmakers assess the alternatives differently. Forays by regulators into firm records containing historical data can provide little or no useful information from the public policy standpoint.

PRICE SUPPORTS

Price regulation has not been confined to "natural monopolies" where, due to economies of scale in production, it is often alleged that there are not enough firms to have effective competition. Economic regulation of agricultural prices has also been widespread even though agricultural markets in the United States are highly competitive.

When product price is not set at the competitive level, the regulator faces the problem of determining what the price should be—the same problem as that faced by Aristotle and others who sought the "just price." In the case of agricultural price supports, where price is *deliberately set above* the competitive level, the regulator has no objective basis for setting price even if there were no problems in determining production costs. In reality, of course, the problem of determining farm production costs is subject to the same barrier discussed above—there is no way for an outside observer to determine or measure those costs that motivate entrepreneurial behavior.

What are the implications of Carter's farm bill, which bases agricultural price supports on production costs? The cases of milk, tobacco, peanuts, and other agricultural products where price is *deliberately* set above the competitive price level illustrates another important point related to cost. When the price of any product is set above the competitive price level, the increase in product price will be capitalized into input prices through competitive market forces so that production outlays or costs will rise to meet returns. In the Austrian terminology, it is peanut prices that determine peanut production costs and not production costs that determine peanut prices.

Peanut prices are increased in the United States through a government-operated cartel that restricts the quantity of peanuts produced. This is effected by means of acreage allotments assigned to individual farmers. Under such an arrangement, the allotment, or right to produce, acquires a value. A recent study, for example, estimated that the annual value of peanut allotments in President Carter's home state of Georgia was about $150 per acre per year in 1973. This means that a farmer producing peanuts incurs a cost of $150 per acre for the right to produce peanuts. That it is a cost is clear if we consider that one of the farmer's available alternatives is to sell his farm, and the selling price would reflect the value of anticipated future returns from peanut farming *and* the value of the allotment, or the privilege of earning those returns. An increase in the price-support level for peanuts will increase the value of peanut allotments and thus increase the "cost" of production. The use of expenditure data obtained from records of peanut pro-

(Continued on p. 30.)

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WHY YOUR BANK CAN'T KEEP A SECRET

BY ROBERT McBURNEY

FEW FEDERAL LAWS and accompanying regulations are as pernicious as the misnamed Bank Secrecy Act. This title is a classic example of doublespeak, since the act insures that financial institutions and their clients will have no secrets whatsoever from the federal government. With regulations (31 CFR 103) written primarily in 1972, the Internal Revenue Service has been given access to the minute details of our financial activities.

The definitions section of the regulations is so broad that every type of financial institution and transaction can be included under the law's provisions. Terms like *bank* and *financial institution* are defined with such catch-all phrases as "a savings bank, industrial bank or other thrift institution; any other organization chartered under the banking laws of any state; a person who engages as a business in dealing in or exchanging foreign currency, as for example, a dealer in foreign exchange or a person engaged primarily in the cashing of checks; a licensed transmitter of funds or other person engaged in the business of transmitting funds abroad for others." The term *monetary instruments* encompasses every financial instrument yet created by man. The "United States" is the various states, the District of Columbia, the Commonwealth of Puerto Rico, and the territories and possessions of the United States.

What do all these organizations and people have to do to avoid conflict with the IRS? For one thing (103.22), "each financial institution shall file a report of each deposit, withdrawal, exchange of currency or other payment or transfer, by, through, or to such financial institution, which involves a transaction in currency of more than $10,000." Note that this is a requirement not merely to keep records but to report such transactions to the IRS (within 45 days). Such reports must include the detailed identity of the person involved.

Now what will the IRS do with such information? A reasonable guess is that many innocent people will be harassed by the IRS on the basis of fishing expeditions made possible by this law. All of this is going on behind the citizen's back and without any notification to him. The *Wall Street Journal* reported on April 15, 1977, that a New York bank was fined $222,500 for failure to file timely reports of cash transactions under this section of the regulations. The intent of the IRS seems clear in the matter of enforcement.

All transfers of funds in any form in amounts over $5,000 either out of or into the United States must be reported (103.23). This section stipulates that a person who merely "counsels" any other person to transfer such funds must file a report. This would seem to include the authors of books or newsletters who advise such transfers. Clearly, it would apply to personal consultation. In the same benign spirit, the regulations require that any ownership in a foreign account be reported on the citizen's income tax return. This regulation is detailed in 103.32 with this language: "Such records (of foreign accounts) shall contain the name in which each such account is maintained, the number or other designation of such account, the name and address of the foreign bank or other person with whom such account is maintained, the type of such account and the maximum value of each such account during the reporting period. Such records shall be retained for a period of 5 years and shall be kept at all times available for inspection as authorized by law."

What has happened to our guarantee of security in our persons, houses, papers, and effects—provided by the Fourth Amendment to the Constitution? We find similar laws regarding foreign accounts in every nation that abridges the liberty of its citizens. Many countries forbid foreign accounts, and all dictatorships greatly restrict the financial freedom of the people. It is most interesting to study the progressive measures Hitler took to confiscate the property of German citizens who attempted to escape his tyranny by using foreign accounts. And liberals maintain that there is no firm link between economic and political freedom!

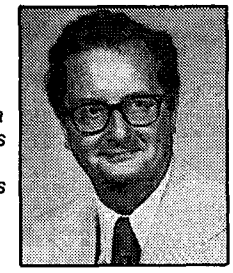
Not yet satisfied, the IRS mandates each financial institution to retain "a record of each extension of credit in amount in excess of $5,000, except an extension of credit secured by an interest in real property, which record shall contain the name and address of the person to whom the extension of credit is made, the amount thereof, the nature or purpose thereof, and the date thereof" (103.33). The record of credit extension seems particularly inquisitive. It obviously allows the IRS to determine everything about a person's private financial transactions in amounts over $5,000, and such designated amounts can be lowered at any time. Because it's easier, financial institutions in fact keep records of all credit extensions in any amount. The IRS can merely review the file for the total picture of a citizen's affairs.

But the worst news is section 103.34, which goes far beyond the larger transactions discussed above and requires detailed records to be kept on virtually all transactions between financial institutions and citizens—with, of course, detailed identification of the citizen. (In a magnanimous gesture, the IRS did make an exception in not requiring a taxpayer identification number on Christmas Club savings accounts, provided the annual interest does not exceed ten dollars. Santa Claus.) Similarly detailed record keeping is required of brokers and dealers in securities. These regulations do not yet require such voluminous detail to be reported to the IRS, which means the IRS must go to the records.

The question then is how the IRS goes about the perusal of such records. One might surmise that they must show some probable cause of wrongdoing, criminal activity, or at least innocent error and convince a judge to issue a subpoena for such records. Guess again. In most cases, an IRS agent can get the bank to allow access to any records the agent wants to see. Naturally, bankers are anxious to cooperate with such awesome power. If not, the agent merely calls the US Attorney, who routinely issues the document, no questions asked—a slight inconvenience for the agent, who no doubt notes the offending banker's name. Moreover, an agent can request any financial data with an "administrative summons" that can be filled out on the spot.

What can an experienced agent determine from your financial records? Why not contemplate this while looking over a few months' bank statements. You will soon get the discomforting feeling that your behind is naked. Big Brother not only is watching but knows you in intimate detail. Most of this snooping is sanctioned on the spurious grounds that the records belong to the financial institution and not to the individual involved. Thus, no property or privacy of the citizen is being violated. This is a vicious sophism.

Not many people are fully aware of the Bank Secrecy Act and its awesome potential, and some complaining should be done about it while we still have the opportunity. But don't route your complaint through a financial institution. ◫



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Pasour

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ducers can provide no useful guidance in setting price, since a price-support program effective in increasing producer prices will also increase costs.

The implication is that once the price for any product is set above the competitive level, production must be restricted in order to maintain that price, and the right to produce will acquire a value. Competition will cause the price of the right to produce—whether it be peanut allotment or taxi medallion—and other inputs to rise sufficiently so that the producer receives no pure profit. That is, prices of production inputs (including the right to produce) and other inputs will be bid up so that expected production outlays just equal expected returns. Thus, the best estimate of the cost of producing any product under these conditions is given by the market price!

This example of the effect of the peanut price-support program shows why government programs designed to help a particular group frequently do not succeed in doing so. The peanut program, for example, generated windfall gains (in the form of peanut acreage allotments) for individuals producing peanuts at the time the program was instituted. After the program was begun, however, the gains were incorporated by competitive forces as increased production costs, and producers entering production later earned only a normal return on investment. The same phenomenon is observed in the case of taxi medallions and similar grants of monopoly privilege by the state. This has led to (David) Friedman's Second Law—"the government can't even *give* anything away."

REGULATORY FAILURE

While there is widespread dissatisfaction with economic regulation, there is no consensus among consumer interests or economists concerning the poor performance of regulatory commissions. Ralph Nader, Milton Friedman, George Stigler, and others have contended that government regulation to protect consumers in the case of the ICC, FTC, CAB, etc., is ineffective because regulatory agencies are "captured" by the interests being regulated. That is, the regulatory agencies are used, to protect monopoly positions, by the very industries they are supposed to regulate.

What is the solution? For Ralph Nader, it is simple—stronger regulatory bodies with better people in charge. Friedman and Stigler, on the other hand, hold that the poor performance of regulation is innate in and destined by the political process itself. As Friedman states, "What reformers so often fail to recognize is that social, political, and economic pressures determine the behavior of the men supposedly in charge of a governmental agency to a far greater extent than they determine its behavior. No doubt there are exceptions, but they are exceedingly rare—about as rare as barking cats."

Professor Coase attributes the poor performance of the regulatory commissions not only to "government failure," as suggested by Friedman and Stigler, but also to "economists' failure"—referring to the inability of analysts to solve the economic problems involved in the regulation of economic activity. He, however, is hopeful that this latter failure can be overcome. With respect to price regulation, at least, that is a dream. There is a fundamental reason for the poor performance of government regulation as it affects prices in regulated industries; regulators *can't* regulate, because they are unable to obtain the relevant data.

The peanut price-support program demonstrates (David) Friedman's Second Law — "the government can't even *give* anything away."

Conventional economists, though aware of difficulties in estimating cost, have not attributed the difficulties to the proper source. In conventional economic theory, the price system is viewed largely as a means of transmitting already known information. Emphasis is placed upon maximization of satisfaction or profits *given* the conditions relating to cost (and returns). The Austrians, on the other hand, emphasize the market as an information system and stress the subjective nature of economic data and the consequent impossibility of objectively measuring the data that motivate individual choice.

The issues involved in economic regulation are closely related to the Lange-Hayek (Mises) debate of the 1920s and 1930s concerning rational economic calculation in a socialist economy. Lange contended (as do many prominent economists today) that resources can be efficiently allocated by letting the planners simulate competitive markets. The approach of "market socialism" or "planning without markets" is: "*The state planning agency, given knowledge of individual preference patterns and production functions,* could use a high speed computer to solve the constrained maximization problem. The resulting Lagrange multipliers are 'shadow prices' which are the equivalent of market determined prices." As Hayek stressed, however, this approach assumes away information problems. In assuming that knowledge is available to the decision-maker, "it systematically leaves out what is our main task to explain."

The "state of the debate" has not appreciably changed since Hayek's assessment in 1935. Theorists of central planning have not solved the information problems endemic in any socialist system. The conventional economic approach to economic regulation also largely ignores information problems. It assumes that data on cost (and returns) are already known and concentrates on the relative merits of various pricing policies.

An appreciation of the subjective nature of cost shows why economic regulation must inevitably fall short of expectations. The political problems concerned with regulation are formidable, as Friedman, Stigler, and other members of the Chicago School have stressed. Aside from these problems, however, price could not be set on the basis of cost—because the relevant data cannot be obtained—even if Ralph Nader or Friedman's "barking cat" were in charge of a regulatory agency. ◫

Beckmann

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I often remember how in 1955 a high official of the Soviet Council of Ministers spoke to a group of scientists and told them that now (Shepilov, a member of the Presidium of the Central Committee of the Communist Party, had just returned from Egypt) the principles of a new Soviet foreign policy in the Middle East were being worked out. He said that the long-term aim of this policy was using Arab nationalism to create difficulties in the oil supply of European countries and thus to make them more pliable.

That was in 1955. Twenty-three years later, it is clear the Soviet policy has been spectacularly successful, and we may safely assume that it is no longer limited to making the West more pliable by disrupting its energy supplies but that it is aimed at controlling the West by being able to interdict them.

The prospect of the United States losing control over its economic—and therefore ultimately political—destiny is the most ominous and acute threat of the US energy crisis. And what is the answer of the small-and-beautiful people—in particular, Amory Lovins—to this paramount threat? The de-industrialization and ruralization of the United States.

WHO BENEFITS?

It does not follow, of course, that the small-and-beautiful advocate de-industrialization *in order* to help the Soviets. Far more likely than helping the Soviets, they are trying to help themselves.

It is conceivable that Lovins and the other spokesmen of pseudo-environmentalism kid themselves that they are motivated by the desire to live in harmony with nature and to do mankind a good turn. This may be highly interesting to the psychologist, but is utterly irrelevant to the issues. If Lovins were a genuine safety advocate, he would advocate the type of energy that is safer than any other, which is nuclear (see my *Health Hazards of Not Going Nuclear*), he would not advocate diluting the dangers of energy by millions of windmills, hundreds of millions of solar collectors, and energy storage in every home, which *per energy produced* would lead to carnage unheard of with any large-scale source of electricity.

If he were a genuine environmentalist or conservationist, he would know that breeding nuclear fuel can provide the world's electricity for the next millennium, the volume disrupted by mining being 5,000 times smaller than for coal yielding the same energy. And if he were genuinely interested in preventing proliferation, he would not conceal the fact that making bombs via the nuclear *power* fuel cycle is the most time-consuming, expensive, dangerous, and inept way of the *eight* available methods.

But it does not matter all that much what motivates Lovins personally. There are people who think the earth is flat and people who think they can communicate with the dead; a man who doctors his data to show that an industrial giant can run on windmills and chicken manure is not all that interesting.

The real point about the Lovins phenomenon is that he is received by a president of the United States who parrots his fantastic figures, that the mass media adulate his piffle, that many professionals (and their spouses) in academia and business are in ecstasy over it, and that the politicians who have discerned the vote-garnering powers of this naïve dream are drooling in transported rapture.

But who is it that *doesn't* swoon? The common man, for he would be the big loser.

The blue-collar worker, for one, knows the worth of a home energy system that substitutes an investment of thousands of dollars for the purchase of electricity at a nickel a kilowatt-hour. Neither he nor the labor unions are willing to go back to brute muscle power after central power plants have been abolished, large-scale industry crippled, and jobs eliminated by the millions.

The American farmer, with the world's highest per-acre yields, knows the worth of energy; it goes, not just into his tractor fuel, but above all into his fertilizers. He sells food not only to Sweden and Switzerland (whose small energy consumption is quite falsely held up by Lovins) but also to countries where most inhabitants go hungry—because they still have a Lovinsian economy.

And the poor? Lovins goes through the obligatory ritual of saying that they suffer most from energy shortages, whereupon he proceeds with details of the energy sources that only the affluent can afford. His concern for the poor is heartbreaking; but how many chapters do his Friends of the Earth have in Harlem or in Watts? Evidently the poor do not yearn for Mr. Lovins to be so good to them.

Lovins's soft-headed energy paths are, in fact, popular only among a very small section of the American people. The members of this tone-setting elite, no matter how much they may kid themselves about environment and ecology, resent the common man, for he is crowding "their" highways, beaches, national parks, and airlines; but even more bitterly, they resent technology—"vulgar," "gone berserk," and "equivalent to war"—for it has enabled the common man to crowd them and needs a population of engineers, technicians, and workers who understand it, when the world should really be dependent only on the sensitive who ponder the mysteries of the transcendental. They resent the free enterprise system because it lets people buy and do what they want to, when they really should buy and do what they *ought* to. And what they ought to do should be planned by the tone-setters who know what is good for the people. They know technology is bad, for it has wounded them with the ultimate insult: they don't understand it any more.

The influential social position of this elite, then, is threatened by the mass prosperity that is bred by technology and free enterprise. What better way to keep the riff-raff in its place than to kill both by abolishing all but feudal energy sources? The gospel taught by the small-and-beautiful, the ecologists, the population controllers, the anti-nukes, the no-growth crusaders, the regulators, and the other regressionists comes in many versions; but its fundamental commandment is, *there's too many of you others.*

E. F. Schumacher subtitled his book *Economics as if People Mattered*, but what the small-is-beautiful mentality amounts to is *economics as if only SOME people mattered*; and what it advocates can only be achieved by coercion.

Small for you is beautiful for Mr. Lovins. ◧

Petr Beckmann is the author of several pro-technology books and is the editor/publisher of the monthly newsletter Access to Energy. *This article is shortened from his Different Drummer Booklet No. 3,* Small Is Beautiful? *(available for $2 from Golem Press, Box 1342, Boulder, CO 80306).*

HUMAN RIGHTS HYPOCRISY

No prominent person mentions the one human right that needs protection so that our other liberties may be safe.

BY TIBOR R. MACHAN

IN ALL THE QUESTIONABLE rhetoric about human rights, we have forgotten something crucial — that without property rights it is impossible to preserve and protect other human rights.

What are the human rights President Carter and others are so concerned about? Clearly, the human right to speak and write freely. This is the crucial human right that is violated by the Soviet Union whenever it suppresses a dissident publication, whenever it silences a political foe. Such civil rights as assembly and political organization are also among those of concern to people who speak out about human rights these days. The inability of people across the world to resist their oppressors in word and action seems to be the essence of the human rights outcry.

But this is only part of the story. The reason the Soviet government can simply suppress literature critical of officialdom is that it owns the printing presses, distribution facilities, and newspaper and magazine stands throughout Russia. It also owns all the forums, platforms, radio and television stations, meeting halls, parks, and other means that are absolutely necessary for people to publicize their ideas. It is of the essence of Marxist socialism that the means of production be collectively owned, that is, owned by the government. Private property is absolutely prohibited. Where some of it exists, in Poland, Hungary, and even the USSR, it is a departure from official political ideology.

Yet the right to own things, to acquire, produce, and trade in the means of production—buildings, machines, one's own labor—is the one right that few today fully recognize. Even in the United States this right is not recognized in law. Shortly after the birth of this nation, the courts and legislatures abandoned the view that individuals possess the inviolable right to property—that each person should be completely free in what he does with his life and productivity, his labor and wealth. This idea, very firmly tied to the American political tradition (which derives from the philosophy of John Locke), was superseded by a remnant of monarchy—the idea of the police power. States were seen by many courts to be sovereigns, whereas in the Lockean tradition only individuals could be sovereign, so that states had those powers and only those powers that individuals gave them.

Since these early departures from the original political idea, Americans have, from right and left, been denied their right to ownership. From the right, people wanted to force others to be temperate, moderate, concerned with spirituality, and so forth; so the police power was used to make others conform. From the left, people wanted to force others to be productive for the public interest, to keep clean and healthy, to bargain fairly; so the police power was invoked to force them accordingly.

By now the economic and related activities of Americans are fully regulated by local, county, state, and federal statutes. The power to control what a person produces belongs, not to the person, but to the government. Nominally, our own system is still willing to accept the idea of private property, but hardly any follow-up protection is provided. Generally speaking, most people now believe that no one has the absolute right to private property; the public interest, decided by courts and legislatures, warrants regulation, even confiscation, of private property.

When it is suggested by a few that this trend is closer to what the Soviet Union explicitly embraces than to the original American political idea, the reply is that there is a happy medium. This is sometimes called democratic socialism or the welfare state. These latter, however, are but degrees of what the Soviets have in mind —not so destructive of human rights, but clearly tending toward the destructive.

Leszek Kolakowski, a famous Marxist scholar, said in a recent interview for the British magazine *Encounter* that "historical experience has shown that in so far as universal collectivization of the means of production involves total planning of the economy (and monopolization by the State, not only of property but also of the administration of the economy), the inevitable consequences are bureaucratic despotism and oligarchic degeneration. In other words, these systems become incompatible with democracy."

Today many prominent representatives in the US Senate and House advocate the kind of total planning and supervision of the economy that Kolakowski mentions. And in fact, the economy is replete with statism. Businesses depend on subsidies and favors; labor pushes for import quotas;

The Soviet Conception of Human Rights

As regards genuine human rights, historical experience has shown that such rights can be ensured only by the socialist system. The right to work, the right to education, to social security, the right to elect and to be elected to the government and administrative bodies of all levels, the right to criticize and control their work, the right to participate in the discussion and adoption of decisions, including decisions on matters of national importance—such is our socialist democracy in action. . . . Legal action is taken in conformity with Soviet law in the case of individuals who engage in anti-Soviet propaganda and agitation, designed to undermine or weaken the established social and political system in our country, or who systematically spread deliberate falsifications vilifying the Soviet state or social system.

Pravda, February 12, 1977

. . . human rights are a social and class concept. There are no human rights in the abstract, in isolation from society. A right is an opportunity guaranteed by the state to enjoy the social benefits and values existing in the given society. For this reason the one and the same right (for instance, the right to education) has an entirely different content in different historical and social circumstances.

Vladimir Kudrayvtsev, *New Times* (Moscow), June 1974

trucking, the airlines, and other forms of transportation are almost fully regulated. Of course, the roads, parks, beaches, forests, schools, and waterways are owned by governments outright. Although the networks run the broadcasting system of this nation, they only rent the electromagnetic spectrum (frequencies) from the government and are fully regulated by the Federal Communications Commission with Supreme Court approval.

By tradition and some legal impetus, most of us are still entitled to speak out in criticism of our government; although when businesses are involved, such criticism can be dangerous, since the regulators have immense power. It is no accident that President Nixon and other politicians have used government regulators to intimidate their "enemies." The Soviet system does this overtly, with no pretense.

In this atmosphere, is it any wonder that no prominent person mentions the one human right that needs protection in order for other liberties to be safe? President Carter would be exposed to the charge of hypocrisy if he dared mention the need of other governments to recognize their citizens' right to property—to freely engage in production, trade, consumption, etc. In America today, hundreds of individuals each day have their homes confiscated to make room for municipal parking lots; land is ruthlessly seized to satisfy political demands advanced by special interest groups; theaters are closed down because the "community" disapproves of what is shown inside; night clubs are run out of business because government officials find the entertainment obscene; homes are broken into because someone is suspected of being a pot smoker; and businesses are wiped out because some regulator has decided that their products might not be safe. Worst of all, no one in a prominent position objects to any of this in a *principled* fashion, grounding the protest on the recognition of each person's right to his or her body, labor, produce, earnings, home, business, etc. Neither the law nor the people in office recognize the human right to own property and use it in line with one's judgment even if others disapprove.

So how could we protest what the Soviet government is doing? That government disapproves of the poetry some of its citizens write, considering it dangerous to the public interest. That is exactly what our government uses to justify *its* violation of our human rights: the public interest, the national purpose, the common good. Since the Soviet Union embraces a political philosophy wherein achieving communism at any cost is the public interest, it openly admits to the subordination of human rights to this goal. The recently revised Soviet constitution makes this absolutely clear. In comparison, the US Constitution has been subtly, deviously overturned, so that the Bill of Rights just does not apply any longer.

The outcries of President Carter vis-à-vis the USSR and other nations are but empty noises without calling for the full recognition of property rights for every person in every civilized country. But is it likely that any official of a Western government, or even any prominent public figure, could insist on such a radical reform when the "Liberal" West is almost as far removed from the ideal as those countries we otherwise criticize so vehemently? The day Americans could claim that individual human rights are upheld in their country is far behind us. It was this idea that helped America overcome its worst moral blunder — slavery. But few who speak for America in world forums remember this. After 200 years, America is hardly the radical new world those like I, who came to it from abroad, hoped it would be. I venture that many others who expect this to be a free society as they escape from their more overt and honest tyrannies will be disappointed. Yet it need not remain so. ◻

Tibor Machan, on leave of absence from SUNY College at Fredonia, is director of educational programs for the REASON Foundation.

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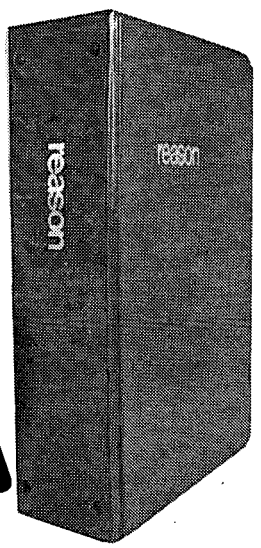

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The Politics of Guilt

The affluent, the leisured, the sons and daughters of the captains of industry — why does radical egalitarianism appeal to them?

by Allan Epstein

COLLECTIVE GUILT and liberal guilt. One hears talk of these from time to time, but what are their implications? Does such guilt play a role in the molding of political ideologies? Is there anything to back up a hunch that it is the foundation of egalitarian radicalism—and Marxism, in particular?

The guilt in question might more accurately be called *political* guilt, for it tends to be exhibited in the political realm. It is not the kind of guilt familiar to psychologists—its origins are cultural. Nor is it engendered by past sins, faults, or wrongdoings.

WHO FEELS GUILTY?

We get a clue to the nature of political guilt from Harry Levinson's *The Exceptional Executive*. "In Western cultures," Levinson observed, "there is a feeling of obligation about work. People who are not working feel guilty." Could we further speculate that guilt might be felt by those who are not *members of the working class*, as well as those who have unearned or easily earned wealth or those who are able to live comfortably in the midst of poverty?

Drawing on these speculations, we can construct a model of political guilt to be checked against political reality. On this model, people's vulnerability to political guilt feelings are largely a reflection of the extent to which—

1. they can exist without working and thus live idly;
2. they can exist without working hard (e.g., doing manual or strenuous labor) or without working long hours;
3. their background is of the upper (wealthy) classes;
4. they live or are able to live in affluence, whether or not they actually do so;
5. they are separated from the working class—in life style, tastes, habits, place of residence, or (most importantly) extent of education.

Obviously, we should expect that some of those who are in the above situations will be able to resist guilt feelings; after all, we are all vulnerable to cancer, yet few of us contract it. Moreover, if someone does not satisfy one or more of the above points—by being poor, for example, or doing manual labor—he should be able to squelch virtually all political guilt feelings. Thus, business executives would tend to be comparatively free of this guilt, even though vulnerable on points three and four, because of their proclivity to work long hours and assume grave responsibilities (point two). This provides insulation against guilt.

THE EGALITARIAN URGE

But what of those who do experience such guilt? How might they alleviate or control it so that they could contain the mental misery it produces? Radical educator Jonathan Kozol, in an interview with a Chicago newspaper, may have inadvertently provided the answer:

> when I say that all guilt is not neurotic, it does not follow automatically that therefore all guilt is healthy. Some guilt *is* neurotic—the kind that causes such paralysis and self-contempt that we cease to function effectively, that we do nothing except sit in a two-month or a two-year or a ten-year bind of self-hatred. The kind of guilt which I advocate is guilt which serves solely the function of a catalyst. It is not a cell which we enter and dwell within for the rest of our lives, it is a threshold which we cross and which liberates us to take creative action. And for most people that I know, it lasts longer [Kozol may have meant to say, "it lasts no longer"] than the months that it took Che Guevara to discover the poverty of Latin America on his way from Buenos Aires to the meeting with Fidel. . . . the kind of guilt to which I refer seems to me wholesome if it is something which liberates people rapidly, and they are no longer guilty once they begin to take action, and they no longer feel guilty.

The "action" Kozol refers to is radical, egalitarian politics.

Extreme egalitarianism attracts the guilt-ridden because it promises to relieve their guilt. If no one starves and if all have the same, those who experienced guilt because of their affluence or their detachment from the laboring masses need no longer feel guilty. (It is not poverty itself that causes guilt for those who view it from a position of comfort; it is their own complacency, contrasted with the poverty of others, that causes it.)

Psychologists know that those with guilt problems tend to counteract them with expiating or altruistic behavior. Egalitarian radicals typically exhibit the same pattern. Some, like Jane Fonda and Jessica Mitford, apparently can be relieved by using political statements or affiliations. Vocal support of egalitarian causes is in itself a useful guilt-tranquilizing device that can be enjoyed concomitantly with an affluent life style. Other radicals, however, seem to require more expiation than this; it is quite common to see radicals abandoning comfortable life styles in favor of impoverished ones. The deification of the working class by the left can also be interpreted as a manifestation of such poverty seeking. A radical with upper-class ties cannot change his birth circumstances, but he can make an ideal of the plebeian background he would like to have had. Similarly, as the self-appointed saviors and representatives of the laboring classes, radicals can ease their regret about not having been born into them and attempt to bridge the gap between themselves and the workers.

What better example of these syndromes in action than Marx himself? The Prussian agitator was a well-educated intellectual who had never been a workingman. Was it ideological dedication that led him to adopt a political life style and refrain from obtaining the well-paying jobs his education could have opened up for him? Or was it that he never *wanted* to live comfortably and make money (in marked contrast to what a poor man would have wanted)? If money and comfort aggravate an intellectual's guilt feelings, we might expect Marx to eschew both—just as he did, and as many leftist bohemians still do. Antipathy to private property naturally follows.

"THE SINS OF THE FATHERS"

If our model is accurate, we should expect those in situations most vulnerable to political guilt to be the most sympathetic to radicalism, because of its clear expiatory function. And it is here that our

model has its finest hour. No social or occupational group is more exposed to political guilt than students, and students have certainly always been the numerical backbone of most, if not all, radical movements. Most students have no jobs or only part-time jobs and, while students, are vulnerable on points one, two, and especially five. Many are susceptible on *all five* points. Even working-class students and young nonstudents are vulnerable to political guilt, because if work is indeed a device of atonement and redemption, it might take years of working steadily for a living to build up an immunity to this guilt.

The degree to which many students feel separated from the working class can be grasped by noting the extremity of the efforts they often make to attach themselves to it. In Russia in the 1870s, there arose a movement of students and young people aimed at taking the revolutionary and socialist message to the peasants. These students from sheltered backgrounds donned shabby peasant clothing and, when asked by friends where they were going, would reply, "To the people." An almost identical effort was launched by a faction of the SDS in the late 1960s, called the Worker-Student Alliance. The idea was to infiltrate factories with the revolutionary message. This crusade was no less of a failure than that of the Russian students.

Vocal support of egalitarian causes is a guilt-tranquilizing device that can be enjoyed concomitantly with an affluent life style.

Running a close second to students in the political guilt derby are their professors, who are extremely vulnerable on point five and similarly exposed on some of the other points. A radical movement without professors is as inconceivable as one without students. The same can be said for writers. When Marx and Engels began to call themselves the Communist Party, they were able to recruit, counting themselves, 17 members—of whom no less than 15 were writers. (Perhaps communism should call itself the movement of the downtrodden working *writers*.) The high percentage of writers in leftist circles is no less obvious today, although the list would have to be expanded to include journalists, artists, playwrights, film makers, and book and film reviewers.

Even more noticeable is the swarm of "rich kids" who have always found a home in the left. Their vulnerability to political guilt is the most extreme of any group, and it also applies to the children of the middle class. As Kozol stated:

> In an extraordinarily large number of cases, whether we're talking about Emma Goldman, who was not the child of very rich people but was the child of intellectuals, or whether we're talking about Ho Chi Minh, who was educated at the Sorbonne, or whether we're talking about Karl Marx or Che or Fidel, in almost every one of these cases important revolutions were led by the rebel children of the ruling class who had undergone periods of enormous upheaval in their lives.

This trend runs deeply through the left. Most of the utopian socialists came from the upper classes. Robert Owen, in fact, was a capitalist, as was Engels's father. Marx, Lenin, Trotsky, and Stalin all hailed from moderately well-off families, while Castro and Guevara sprang from quite wealthy backgrounds. So did faithful sympathizers Corliss Lamont and Frederick Vanderbilt Field. The "first American Communist," John Reed, had wealthy parents. Also not to be forgotten is Grace Hutchins, a fanatical Communist and a Bryn Mawr graduate from a distinguished old Boston family. Enrico Berlinguer, the Italian Communist leader, also comes from an aristocratic family.

Jane Cheney is a long-time socialist and the daughter of a wealthy Connecticut silk manufacturer and was Dr. Benjamin Spock's first wife. Mrs. Daniel Ellsberg, the Marx toy tycoon's daughter, is surely as liberal or radical as her affluent spouse. Stewart Mott has an estimated worth of $25 million (his father was once the single largest General Motors shareholder) and has been a financial angel of a number of radical causes, including *Ramparts* magazine. George Pillsbury, who inherited the baking magnate's fortune, set up (along with other wealthy heirs) a foundation to fund radical causes. Pillsbury was quoted as saying, "Having money makes you different from your friends. You don't have to have a job; you have to explain why you have a tan. It makes you feel guilty." And radical politicking submerges this guilt, at least to a controllable level. No wonder a friend of Whittaker Chambers's remarked, "In America, the lower class are Democrats. The middle class are Republicans. The upper class are Communists." Such is also true elsewhere: prominent South American radical guerrillas have included a daughter of a vice president of Kaiser Industries and "Carlos," son of a wealthy Venezuelan lawyer.

Everywhere the radical groups consist mainly of intellectuals (à la Maxim Gorky, Isadora Duncan, Lillian Hellman, and Regis Debray), those born into plenty (à la Vanessa Redgrave and Jane Fonda), and those who come into money easily (à la Shirley MacLaine), as well as others in situations most vulnerable to political guilt (e.g., students). Lenin himself admitted, in *What Is to Be Done?*: "The theory of socialism . . . grew out of the philosophic, historical, and economic theories elaborated by educated representatives of the propertied classes, by intellectuals." While guilt cannot be said to be the sole source of radical thought, its powerful influence should nonetheless be noted.

Although radicals can solve their guilt problems with political activity, they actually cannot afford to jettison their guilt completely. As Jonathan Kozol insinuated and as Whittaker Chambers realized, the intellectual often finds himself with no reason to live. Common people have no such barrenness because they are striving for personal goals, such as a home in the suburbs or two cars in the garage. But the intellectual often cannot enjoy such material comforts even though they are readily available to him. Either he is already jaded to them, or his guilt feelings would be aggravated upon having them. So the radical intellectual constantly requires something to feel guilty about, because the effort to control this guilt (even if it is merely advocating Marxism in conversations with acquaintances) forms a facsimile of purposeful activity and thus a reason to live—a cause. The catalog of guilt objects must be kept well-stocked. Feeling guilty about the poverty of blacks gives way to feeling guilty about the poverty of Latinos, and so on, ad infinitum.

SELF-ABASEMENT

As Kozol hinted, political guilt can easily boil over into self-hatred. Marx is a fine example. Erik von Kuehnelt-Leddihn has identified self-contempt as Marx's most salient characteristic. For instance, Marx was born a Jew but hated Jews; he sprang from the middle class but despised the bourgeoisie. A similar example is that of Diana Oughton, the SDS-"Weatherman" terrorist killed in a bomb explosion. Her biographer, Thomas Powers, observed:

> The Weathermen felt they contained within themselves the seed of everything they opposed. Inside the organization, they turned savagely on each other and on themselves in an attempt to root out that seed. In Dwight (Illinois), Diana had hated being rich; in Guatemala she had hated being an American; in the Weathermen she finally came to hate herself.

Also intriguing in this context is the observation of the lily-white literary critic, Susan Sontag, that the white race is "the cancer of human history." The radical guilt and self-hatred is as apparent as the

extreme self-righteousness of most radicals, and the two may be connected; for as Eric Hoffer pointed out, "Self-righteousness is a manifestation of self-contempt."

Intellectual self-hatred is also exhibited in the urge for self-punishment or self-depreciation that often results. Perhaps there is no more explicit example than that of yet another offspring of well-to-do parents—"Iron Felix" Djerjinsky (or Dzerzhinsky), first head of the *Cheka*, the murderous Soviet secret police. Whittaker Chambers described the hangman's early years:

> As a young man, Djerjinsky had been a political prisoner in the Paviak Prison in Warsaw. There he insisted on being given the task of cleaning the latrines of the other prisoners. For he held that the most developed member of any community must take upon himself the lowliest tasks as an example to those who are less developed.

Djerjinsky seemed to have had an ideological reason for debasing himself, but the connection with radical self-punishment is too obvious to ignore. The real impact of this syndrome, however, becomes visible when leftist social and political beliefs are analyzed:

- When the egalitarian comes to view "society" as an independent entity and puts it above himself, becoming totally subservient to it and showing a willingness to obey what he believes are its dictates, no matter how demanding (e.g., allowing "society" to place ceilings on everyone's earnings, including his own), is he being public-spirited, or is he merely furthering his own self-abasement?
- When he adopts the view that our present society and its institutions beget poverty and criminal behavior (meaning that he, as a member of society, is partially to blame for it), is this the result of sociological conviction or of a desire to prolong his guilt feelings?
- When he advocates a global omnipotent state (a milieu in which he too would live), has he reached this position through reasoning and reflection or through a masochistic desire to be restrained and controlled?
- When he is a male and supports equality for women, does he do so because he believes women to be his equals or because he feels just as guilty about being male as about being white and middle-class? And from the radical feminist perspective, is the women's movement a social crusade, or is it a reflection of the desire of women intellectuals to artificially proletarianize themselves by forming a new, oppressed class that even wealthy or cultured women can belong to merely by virtue of their sex?
- When the egalitarian plunges into Malcolm X's autobiography or a book about Nat Turner, is his enthusiasm stirred by a sympathy for blacks or by the perverse thrill of exciting his white self-hatred?
- When he derides as a capitalist hoax the observation that working people require incentives and that they will hardly exert any effort without incentives, is this due to a simple misunderstanding of reality? Or is it due to the egalitarian's guilt having destroyed his desire to make money and enjoy life (two interrelated pursuits), with the result of making him unable to comprehend how anyone else could have such "base" desires?

Finally, what does the egalitarian radical see in the commune and the collective? Their underlying idea is that individuals should want to work almost entirely for the benefit of others and not—as poor people are wont to do—for their own personal benefit. This is easily expanded to include a near-total relinquishment of pride, self-respect, and personal autonomy and freedom—to the point where, as in China, one must obtain the commune's approval before doing practically anything. Do such ideas spring from idealism or from an urge to practice self-humiliation and to punish one's self by refraining from enjoying life? Similar patterns are visible among some liberals, although to a lesser degree: for example, the dogmatic liberal supports the welfare state even though, as a middle-class taxpayer, he must bear its costs. If misery loves company, perhaps self-debasement demands it.

ANTI-WORKING CLASS

In Red China these patterns are emphasized by such slogans as "criticism and *self*-criticism" and "fight yourself—fight self." Even the manner of dress betrays this self-contempt. While Westerners (particularly the guilt-free poor) strive to dress with aplomb, totalitarians like Mao and Castro have taken care to attire themselves in exactly the opposite manner: in chaste army fatigues. The Chinese example is classic. Chou En-lai had a patrician background, while Mao's prosperous father was a grain speculator and landowner. Mao lived his entire adult life as if his sole aim was to punish himself for the "sin" of not having humble origins. Unlike the common Chinese he claimed to represent, Mao evidently *enjoyed* poverty: he deliberately kept himself in that condition. Unfortunately for the Chinese, however, he demanded the same of them and, in true monastic fashion, constantly preached against the evils of materialism and the enjoyment of consumer goods. Mao's disinterest in money and comfort (like that of Oughton and Castro) should serve to indicate, not a laudable altruism, but a self-punishing personality that by its very nature is anti-working class.

In total egalitarianism, poor people must be kept poor for two reasons: the leaders' self-punishment must be imitated, and the dependency relationship must be protected. If the poor were ever to advance into a middle class and thus escape their dependency on the leader and his largesse, his guilt would have no outlet. Since this spurious charity giving is so uplifting to the dictator, he transforms his subjects into charity cases by prohibiting small business enterprise under the guise of preventing "exploitation." There is no other way to keep poor people poor.

The effort to control guilt provides the radical intellectual with a facsimile of purposeful activity.

Guilt also serves as the totalitarian's strongest weapon, for it can be used to win the people's obedience. We are deluding ourselves if we believe fear to be more effective. Kozol, when advocating his choice of propaganda weapons, preferred guilt even to self-interest: "There's only one appeal you can make it on, and that is *justice* and *fair play*, and the only way you can initiate that is with the type of indictment that is going to cause temporary guilt." Far from being a new idea, this concept has long been an egalitarian forte. Soviet and Chinese citizens are told that the Party, and only the Party, feeds the hungry; hence, any act of resistance or noncompliance is an offense against the people, for which one must feel guilty. Cubans are made to think of themselves as selfish for not wanting to sacrifice weekends to cut sugar cane without pay. One pro-Peking writer declared that without Mao's slogans, "the abolition of financial rewards, premia, bonuses, and piece-work in Chinese factories in 1967-68 would have been impossible." Indeed. The author of these lines might just as well have said that workers are too selfish and unsophisticated to appreciate the fine

For those proletarians who succeed in entering the middle class, radicalism reserves a special hatred.

points of a vow of poverty unless someone like Mao generously teaches them how to hate themselves like intellectuals. Such sentiments reveal the vastness of the worker-radical gulf.

The tremendous risks undergone by escapees to Hong Kong indicate that the common Chinese, like any other people, are prepared to risk life and limb to flee a land where life itself is regarded as atonement instead of enjoyment. As the strikes and work slowdowns in China's Chekiang province in mid-1975 illustrated, no Marxist country has succeeded in replacing self-interest with guilt. When working people do become radicalized, it seems to be for capitalist rather than collectivist reasons. Avraham Yarmolinsky's history of prerevolutionary Russia quoted one peasant who, "having heard an agitator picture the coming repartition of land," exclaimed, "'Won't that be great when we divide up the land! I'll hire two farmhands and live like a lord.'"

For those proletarians who succeed in entering the middle class, radicalism reserves a special hatred, accompanied by an amplified effort at guilt-inducement. Kozol's arguments strongly suggest that working people should feel guilty for owning tidy, secure homes while others languish in tenements. Or, more to the point, "It's not good to eat a ten-dollar steak while someone else is starving." Carrying this inane argument to its logical extreme, one can become remorseful about enjoying anything, which seems to be the argument's intention. If people are starving, does it not seem heartless to enjoy any satisfactions at all? For an exercise in adventurous living, Mr. Kozol should locate a factory worker who puts in long hours so that he and his family may enjoy expensive steaks (thanks to the government's inflation, are there any other kind?) and pedantically explain to the man that it is wicked to eat these steaks while others cannot. (Kozol should first become intimately acquainted with the art of self-defense.)

DEFENDING AGAINST GUILT

Guilt has a much more devastating effect on those who fit our model than on those moving up into the middle class. Garry Trudeau, creator of the popular comic strip *Doonesbury*, is perceptive enough to understand this process. One of his earlier strips pictured a white campus liberal approaching some Black Panthers selling their party newspaper, which the liberal refuses to buy. Upon hearing this, the Panthers reply, "You say you're *against* our Free Breakfast Program for children?" The liberal, of course, is so shaken that he relents. His vulnerability to guilt has afforded him no defense against this clever debating trick. If more people would learn to understand the role of guilt in politics, perhaps fewer simpletons would fall for the notion that political opposition to welfare and Social Security is proof of hatred for the poor. There is, after all, a difference between guilt and compassion. When one delights in the old adage, "If a man is not a communist at age 20, he has no heart; if he is still a communist at age 30, he has no brain," one reveals a dangerous failure to recognize the adage's confusion of guilt with "heart."

A great illustration of such confusion is the case of Djerjinsky. Liberals, especially, might read of his self-sacrificing prison episode with spellbound reverence and then be amazed to discover that such a humble man with such apparent concern for others could become a mass murderer. The confusion lies in the habit of not distinguishing self-sacrifice from humanitarianism. A true humanitarian would view charity as an end in itself and self-sacrifice as a means to that end, but Marxism seems to view self-sacrifice as the end and charity as the means.

Whatever the merits of free enterprise compared to socialism, socialism has the advantage of guilt. Its real strength lies in being able to convince people that without socialism our poor, blind, and elderly citizens will be dropping in the streets like flies. But this argument was long ago disposed of by Bastiat (would people not be religious if the government did not provide churches?) and by Eugene Zamiatin, author of the novel *We*, the forerunner of *1984*. *We* described a future totalitarian regime that compels its subjects to chew each piece of food exactly 50 times—for their own good, of course. The central character, taught this from birth, would wonder how past civilizations managed to survive without constant chaos and misery, having had no omnipotent authority to dictate the number of times each morsel should be chewed. Are we, too, approaching the point where we will be unable to understand why America was not plagued by constant mass starvation before Social Security and welfare were enacted? If political guilt goes unchecked, we could become convinced that freedom itself is evil because it makes no absolute guarantee that all will be fed and clothed—a guarantee that only a prison cell or a totalitarian government can make. At this point, we would no longer have any argument with totalitarianism.

Any struggle against political guilt and its effects must focus on totalitarian propaganda. In addition to the guilt-inducing techniques previously mentioned in this context, there is also a quite effective guilt-by-association tactic. For example, Cubans are led to "discover" that all those who oppose Castro are really former plantation owners, drug smugglers, or Mafia gangsters. To whatever extent Americans also believe this, Castro can make himself look good by comparison without ever expounding his own ideas. This tactic works well because it can often leave sincere anti-Castro Cubans and others with a sense of guilt about having a supposedly common cause with such people. Only a thorough understanding of political guilt and its effects could enable those who are vulnerable to such tactics to resist them. Similarly, many susceptible college-bound youths might be spared the kind of mental anguish that Diana Oughton and others have undergone if they could be shown that this guilt lacks a logical basis and is unconnected with any actual sins. Being able to eat three meals a day is no iniquity; and, if nothing else, being born in this century makes one innocent of the crimes depicted in *Roots*.

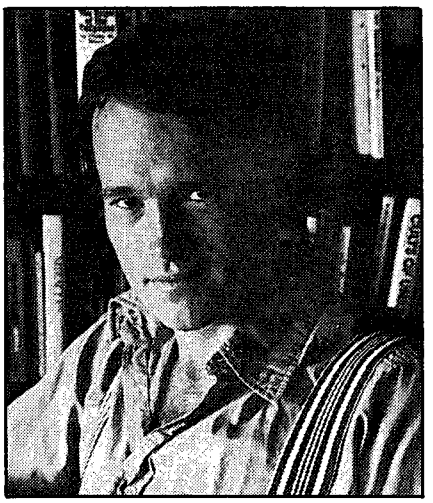
Vulnerability to the pestilence of political guilt can be reduced by promoting pride and self-esteem in whatever ways possible. Since there is now some talk about replacing our national anthem with something more up-to-date, let us suggest the soul music song "Respect Yourself." ◻

Mr. Epstein is a free-lance writer who lives in Chicago and is a devotee of Austrian economics.

Coming Next Month:

A tax revolt is sweeping across the country. Next month REASON explores the implications of this revolt for America's future. Chris Weber chronicles the results of past cases of large-scale tax cuts—and their dramatic effects on productivity and economic well-being. Fred Foldvary proposes the next logical step in the tax revolt—a concept he calls *tax substitution*. Can the tax revolt lead to a radical reduction in the scope of government? Futurist Derek Brownlee thinks it can—and will—and tells us why. Also in the issue: a detailed look at the proposed federal criminal code reform bill, S 1437 (aptly dubbed "Son of S 1"), and dissenting views on two recent Supreme Court decisions—Bakke (affirmative action) and Barlow (OSHA and search warrants. Plus Alan Reynolds's Viewpoint, Tim Condon's tax column, and all of REASON's other departments and features.

viewpoint



James Dale Davidson

Lately I have become something of a movie groupie. Partly this is because I like popcorn—the cinema is where one is most likely to find it. But a better reason to enjoy the movies is the fact that they are educational. Nowhere else can you find so dependable a guide to the imaginative life of contemporary people. What you see at the movies is a surer guide to your neighbors' thoughts and tastes than 4,000 pages of the *Congressional Record*. No doubt, some of what you learn is superfluous: the crowds swooning at *Saturday Night Fever* show that women still like dancing with men in tight pants; *Jaws II* tells us that our sensibilities have been so coarsened that sharp teeth elicit a more dependable emotional response than refined dialogues; *The Cheap Detective* tells us that we are fascinated by the characters from movies of the past even if we do not have the nerve to re-create the circumstances and actions we admire. And to see the matter more fairly, Warren Beatty's splendid re-creation of *Here Comes Mr. Jordan*, titled *Heaven Can Wait*, proves that we may now be ready for stories that are well written.

There does seem to be evidence—witness the increasing popularity of movies from the 1930s and '40s—that the public is interested in entertainment that reflects a higher level of dramatic and literary accomplishment. But be that as it may, the political sensibilities reflected in the movies continue to be of the most naive sort. Almost never is the contest between the State and society reflected cinematically. Even a masterpiece like *Heaven Can Wait* relies in some measure upon the outdated identification between "free enterprise" and the ruthless manipulations of a mercantilist tycoon. The abstract categories of economic judgment, which enable more sophisticated analysts to distinguish between those actions which take place in a market context and those which are political (or mercantilist), has not yet reached the screen. This is not because it would be impossible to create a cinematic treatment celebrating liberty or other political themes. Such has been done in the past. It could be done again. In some measure the evolution of political thought may turn upon the effective use of cinema.

That movies are an effective medium for swaying popular opinion has been known since the early days of this century. D. W. Griffith, who was among the first masters of film, was also among the first to realize its potential political applications. Griffith's *Birth of a Nation* was a powerful statement of the segregationist worldview. And this was by no means an unconscious exposition of Griffith's opinions. He knew what he was doing. And others did also. Woodrow Wilson brought *Birth of a Nation* to the White House for private showings to boost enthusiasm for his directives to segregate the federal government. Even today, in California, Ku Klux Klan groups have been showing *Birth of a Nation* as part of a membership drive. The film's romantic portrayal of the Klan's role during reconstruction is undoubtedly more appealing for prospective members than an oration muttered through a sheet.

During the 1920s, the Bolsheviks used film to create dramatic and highly effective tributes to communist revolution. Young film makers such as Eisenstein stirred the crowds with blatantly propagandistic depictions of revolutionaries battling corrupt landlords and "capitalists." The creative epoch in Soviet cinema was soon over. Many of the most talented film makers were disillusioned or purged. And those who survived found their creative impulses stymied both by the poverty of the Soviet economy and by Uncle Joe Stalin's bad taste.

While propagandistic uses of the film in Communist-ruled countries declined after Eisenstein, the Nazis in the '30s made widespread use of film for propaganda purposes. Leni Riefenstahl, for example, produced the much-heralded crowd spectaculars *Triumph of the Will* (1934) and *Olympiad* (1936). She employed carefully orchestrated crowd scenes to convey on film the mass hysteria of a Hitler rally and the triumph of the "pure race" in athletic achievements.

Almost any survey of politics in film says as much. But there is more to the story. The propaganda use of German cinema had begun in the 1920s during the silent era, when many of the "classics" of German film making were produced by UVA, a production company owned by Alfred Hugenburg. He was also a leader of the right-wing German National People's Party, which later allied with the Nazis to bring Hitler to power. Hugenburg used the cinema effectively to promote the ideas in which he believed. He was also instrumental in organizing a cartel known as the SPIO Commission that later became the Reich Chamber of Film—a bureau under the direct control of the Reich Ministry of Enlightenment and Propaganda. Goebbels himself stood at the head of this agency.

To appreciate the subtlety and insidiousness of Nazi propaganda—and thus to learn a lesson for our own day—consider, not the documentary films of Riefenstahl, but a more typical Nazi work of entertainment, such as *Friedrich Schiller*. It is a story of the 18th-century romantic playwright and poet who is trapped in a military academy in Swabia. From the beginning of the film, he is clearly a spirit in revolt. He is oppressed by the asininity of military life. He does not like parades. He does not enjoy standing at attention. He is perfectly capable of talking back to his commanding officer and dashing out of formation to place a poem in the hands of his lover. Quite clearly, Fritz is a liberal spirit.

All of the petty stupidities of arbitrary power are associated with Schiller's nemesis the Duke of Swabia, a corpulent gentleman played by an actor with a strong resemblance to Churchill. As the Duke proceeds through the streets, he is greeted by crowds of shouting subjects whose gestures and salutes are clearly reminiscent of the Nazis themselves. The resemblance between the cinematic expressions of support for the apparently evil Duke of Swabia and Hitler almost make one suspect that anti-Nazi subversives produced the film. But wait. *Friedrich Schiller* is not an anti-Nazi film. Its libertarian and anti-militaristic elements are spliced into a larger German nation-

alist show.

Schiller shouts "death to tyrants" and openly rebels against the evil Duke. He shows the audience that resistance is possible and even provides details on how it is done. That the Nazis did not fear this kind of demonstration shows their confidence that the liberal elements in popular culture could be transformed into an antiliberal statement. *Friedrich Schiller*, for all its treatment of liberal rebellion, is really a propaganda piece about the destiny of the German nation.

That makes it rather a back number as far as today's causes go and thus a good study in the current circumstances—when the need for liberty is felt everywhere but the media that contribute to the imaginative life of the public are largely under the control of persons with illiberal sentiments. At times when the lack of liberty becomes a deeply felt grievance, as it surely was in the days when the Ministry of Enlightenment and Propaganda tossed out its offerings to the German people, the emotive power of freedom can be trans-

(*Continued on p. 41.*)

money

The Remonetization of Gold

What's all the fuss about? If gold is "just another commodity," why doesn't the US Treasury dump all its gold holdings on the market? Why do central banks worldwide continue to hold gold as monetary reserves? For the simple reason that gold is still money.

What makes gold one of the best long-term investments is the high probability that gold will return as the basis of the world's monetary system. In fact, we can go so far as to say that gold *must* return—officially or unofficially—if the relatively free societies of the West are to be preserved.

Fiat money, says Franz Pick, "is a creature of the law." Monetary theory, he adds, can only be understood if one knows the legal basis of money. From the vantage point of Austrian economics, this is not entirely correct. But we can see that the depreciation of money goes hand-in-hand with the corruption of the law. Both have the same source: the political process.

The political benefits of control of the printing press and the power to tax need not be restated here. It should be clear that without a limit on politicians' behavior, corruption of the law and corruption of money will continue until both are destroyed.

There is now no legal limit in the United States on the potential destruction of the US dollar. The constitutional provision that only gold and silver coin may be made legal tender has been interpreted out of existence by the Supreme Court... as have many other constitutional limitations on political action.

Politicians are not going to change their behavior to reduce their political profligacy. Barring a change in public opinion, something I, for one, do not see as likely, initiatives such as California's Proposition 13 notwithstanding, the US federal government will continue to pile up budget deficits until a hyperinflationary collapse is inevitable.

The real meaning of hyperinflation is *the public's rejection of the government's money.* When that happens, three possibilities exist:

1. The government *forces* the people to accept its money by imposing wide-ranging controls on all forms of economic activity. This would lead to an authoritarian state or the second American revolution.

2. The people turn to privately issued monies, and the private sector takes over from the government the function of issuing currency. This is truly an exciting possibility. As money is the basis of all economic activity, a free market in money could prove the basis of a truly free society.

3. The government replaces the worthless currency with a new one which has the confidence of the people. To gain that confidence it will need a little more than the "full faith and credit of the US government." Unless the people are stupid, they will see precisely where that "faith" got them.

If it's true that "people get the government they deserve," then that means that the people, in the final analysis, determine what kind of government they want. Only time will tell whether Americans will succumb to the growing police power of the US government or whether they will rebel against it. But if they do rebel, the government will literally be *forced* to issue a gold-backed money.

To politicians, a government-issued currency is infinitely preferable to private monies. Government money represents power. Politicians will want to keep the power of the printing press, even if that power is restricted by the discipline of gold. If, after the significant destruction of the US dollar, the people refuse to accept, use, and hold any paper substitute, a gold-backed money will be the only alternative which will allow politicians to retain control over the printing press.

The reason why gold rather than some other commodity will be chosen to back a new US dollar is simply that gold is the only hard asset governments hold. A second, and perhaps equally important, reason is that gold is *already* coming back into the world's monetary system. (It would be more accurate to say that gold never really left the monetary theater; it was merely pushed into the background for awhile.)

The first important event since Nixon closed the gold window and made the US dollar completely inconvertible was a German loan to Italy, with some of Italy's gold reserves pledged as collateral. Since then Portugal has sold some of its gold to prevent a complete bankruptcy of the state.

Just a few months ago, the International Monetary Fund reduced the amount of gold it offered to the public at its monthly auctions; some was set aside for "less developed countries" who could buy at the average price of each month's auction. And, of course, central banks may now freely buy and sell gold on the open market since the expiration of IMF restrictions.

To my mind, the key to this question lies in Europe rather than the United States. A Swiss central bank official confided his private and, he stressed, "non-official" view that he saw no alternative to gold. Other European governments are reacting slowly to the international decline of the US dollar by talking about some form of European monetary union. Europeans are dependent upon the US dollar, still the currency of international trade, since they are more dependent on trade than the United States.

European central bankers, like the Swiss official, are much more oriented towards gold than the US Treasury or Federal Reserve Board. Indeed, via the threat of creating a European gold-backed money which would replace the US dollar as the world's premier currency, they could well force the United States to return to gold *before* the otherwise inevitable destruction of the US dollar.

Mark Tier

spotlight

Freeorder Entrepreneur

Terms such as "network," "explorers," "weavers," and "quest" have certain meanings which are commonly accepted by most people but in the last few years a group of entrepreneurs in Denver has begun to associate new connotations with these everyday expressions. Their need to develop new definitions and to coin new words and phrases has grown out of a desire to convey to others the concepts involved in operating an entirely new type of business enterprise—the Denver Open Network—created by Calvin Byles (or "Leif," as he prefers to be called).

Leif, 37 years old, fashioned the Open Network, which was started more than three years ago and is run by an organization known as Network Research, to be a loosely organized information clearinghouse designed to reduce individuals' search costs for information. It is a unique solution to the problem of placing middlemen between consumers and sellers in the market for individuals' ideas, resources, and talent. He has attempted the difficult task of translating libertarian ideas on social information—based on F.A. Hayek's concept of the dispersal of knowledge—from the abstract to an actual concrete example. He feels that he has accomplished this task by establishing an information gathering network whose uses are not predetermined by its owners but allowed to vary with changes in consumer needs.

His network consists of over 400 clients who pay a fee of $25 per year to purchase space for computer data and paper files describing their fields of interest and the right to purchase advertising space in the monthly publication *The Open Network News*. These members form a pool of individuals and organizations representing many different skills and specialties from which all members may draw help. (However, *The Open Network News* states that it is the intent of Network Research that "the network be as private for each separate user as that person or group wishes it to be.") The diverse membership list includes many local businesses, real estate personnel, engineers, educators, a pro-nuclear advocate, an anti-nuclear group, a political party (the Colorado Libertarian Party), and many others.

Presently, information is acquired for users (whom Leif prefers to describe as "explorers") by their contracting out for individuals (whom he calls "weavers") to look through the computer data and paper files and find connections between the needs of the users (which he likes to describe as their "quests") and the resources of the other members. Eventually, Leif hopes to incorporate a computer program which will determine correlations between the needs of specific users and the possible helpfulness of others' services and then rank their degree of helpfulness, freeing the weavers to handle additional members.

The network has already been very helpful in finding solutions to its members' problems. Leif speaks with pride as he describes how the organization assisted in the rejuvenation of Denver's Oxford Hotel. Located in an older section of downtown Denver, the hotel was in a state of disrepair. Through the Open Network its manager was able to locate employees, investors, and leasing; and, at present, the hotel is negotiating with a small architectural firm, also located by network.

People have even used the network to help develop a city's prototype for a self-sufficient waste recycling system, to assist in setting up seminars, and even on occasion to find out where a good party is being held by network members.

It is because of the seemingly endless list of applications to which the Open Network can be put that Leif decided to base its structure on the "Hayekian" concept of "freeorder" (a term which describes the spontaneous order that occurs in any free market). No restrictions have been placed on utilization of the system so that members may use it to help solve any problem they might have. Leif sees the important point behind this decision as the fact that the network is merely a "tool" of those who use it and that it is not possible for Leif or any other individual to know all its possible applications. The organization is based on the premise that the uses to which the network can be applied will only be restricted, as Leif says, by "people's own good sense" and not limited by any preconceived plans. Albert Turner, a member of the network, stated the philosophy behind "freeorder" rather succinctly when he said, "The way something ought to be emerges rather than being imposed at the beginning."

Leif was first introduced to the libertarian tradition through attending Robert LeFevre's Freedom School in 1959, which he discovered through an ad his father had seen. It was through LeFevre that Leif originally became acquainted with the works of Ludwig von Mises, Ayn Rand, and F.A. Hayek.

Although he has attended several colleges—including Stanford, the University of Texas, and St. John's—Leif has never received a degree. Currently, he is writing a book on philosophy entitled *The Art of Quest*. The manuscript, approximately 1,000 pages long, deals with the concepts of an open society and social transformation.

The future for Leif's experiment looks very promising. Up until now membership has spread solely by word of mouth. Now, however, Leif has begun to develop mass marketing techniques. He estimates that membership will increase to about 1,000 by the end of 1978 and reach 10,000 by 1980. Ann MacCallum is currently making plans to start a network similar to Leif's in Southern California.

Leif feels that there are two possible ways for him to advance personal liberty. He can adopt either the view which he calls "the politics of no," where he would fight government encroachments on freedom in the political arena, or the position he calls "the politics of yes," where he would develop entrepreneurial methods to enhance liberty. Leif has choosen the latter course. One begins to understand Leif's views in his statement that, "I want to combat the typical notion that freedom and order are antithetical. I believe the two are logically interrelated. I think effective human freedom generates its own spontaneous order." Proudhon put this idea simply when he wrote, "Liberty is the mother, not the daughter of order."

John R. Lott

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viewpoint

(*Continued from p. 40.*)

formed and harnessed to a totalitarian purpose. The Nazi regime, arguably the most militaristic and tyrannical in modern times, could make films attacking militarists and ending with the appeal "death to tyrants." Antilibertarian elements today could perform the same kind of political gymnastics and thus harness the presently neglected emotional demands for freedom in some new celluloid propaganda.

Then we would have nothing to go to the movies for but popcorn. ☐

books

The Final Conclave

By Malachi Martin
New York: Stein & Day. 1978. 450 pp. $11.95.

Reviewed by John Hospers

Well before Pope Paul died on August 6, 1978, and the cardinals assembled to select his successor, Malachi Martin had written a book about this very conclave—a part-historical and part-futuristic book.

Only one thing, according to the author, constituted the main thrust of Paul's papacy: *the drift to the left.*

In the first hundred pages of his book, Martin piles one piece of evidence upon another to nail down his point (almost to overkill) that the Catholic Church has consciously followed a policy of appeasing communist totalitarian regimes and that this policy was instituted and sustained, sometimes openly and more often covertly, by Pope Paul himself.

Why did Pope Paul adopt this policy? The author's answer, for which he presents elaborate documentation, is that the Vatican believes that the Communists will soon control Italy. Rome is in Italy, the Vatican is in Rome, and for the sake of its own survival, the Vatican must accommodate itself to whatever government exists in Italy. Why give in? "To be or not to be," one cardinal answers wryly.

But Italy is only a part of the picture. The Church's Secret Papers, detailed in this volume, cite piece after piece of evidence that in the next decade all the governments of Western Europe will be Marxist. If the Vatican then opposes Marxism, it will be either exterminated or made subservient to the Marxist wave of the future; and since survival is the Vatican's first responsibility, it must make an accommodation with the rulers-to-be. As for the United States, it will become gradually weaker, both economically and militarily, and will for its own survival's sake ally itself with Saudi Arabia and let Europe go communist.

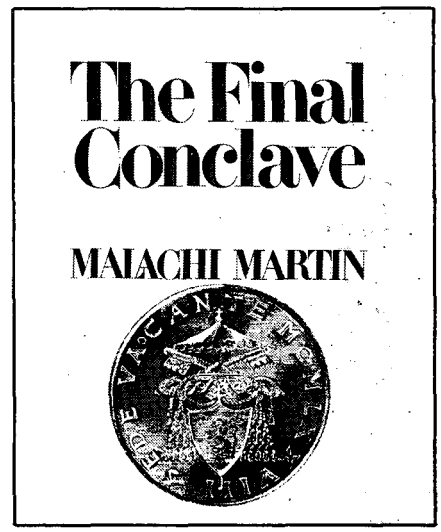
After the first hundred pages, on the recent history of the Vatican vis-à-vis the world, the remaining 250 pages are written in the form of a futuristic novel: Pope Paul has died, and there is a conclave of Church cardinals to elect a new pope and establish the future direction of Vatican policy. Traditionalists wish to retain the emphasis of Catholicism on spiritual and not material welfare and to discourage involvement in the political arena. "Progressives" and "radicals" favor the conscious adoption of a pro-Marxist policy. The battle between these groups is joined with increasing fervor in these pages as the cardinals debate one another, jockeying for position, making subtle theological and sociological observations, each trying to get a majority on its side.

The proponents of accommodation with the Marxist-wave-of-the-future gain more adherents as the conclave continues. If the Church does not ally itself with "the proletariat," it will be dead within a generation—this is the argument that sticks most in their minds.

There is no whitewashing of Marxist regimes; on the contrary, those who preach accommodation with them do so in *spite* of their horrors, which are fully exposed. At one point Cardinal Franzus (of East Germany) cries out, "I know all about Communist prisons, all about Communist oppression, interrogations and information-getting methods.... The Marxist states have amassed an agonizing corpus of imprisonment, assassination, massacres, calumny, isolation, torture, slavery of the mind, the penalty of living death—all of which we know to be true. I wonder if we should perhaps compare all that Gulag of agony with the earlier Gulag of agony imposed by the Church, and by Christians in the name of the Church, on Muslims. On Jews. On heretics. In witch-hunts. In religious wars.... Did any official Christian theologians condemn Christianity on account of all that? Those that tried—a Savonarola, a Huss—you know what happened to *them!*.... No, let us not compare Gulags. Let us rather talk of what Marxism is out to destroy. In a word, the bourgeois man—his society, his capitalism!"

There ensues a long and fascinating debate about the "true nature of Marxism." "Marxism has two faces," says a Chinese cardinal. "One it wears before it gets power. The other, after it gets power. We know. In my country. In my Asia. Our country is in the grip of terror. One vast concentration camp. One ant-hill. Do you know what it is to live with daily terror in your street, at your corner, in your bedroom, in the school, in the factory, in the Church—when a Church is open? *You* don't. *We* do.... Think well before you accept what some foolish ones are calling a working relationship with that. If you have to live under Marxism, pray your faith can outlive it!"

Nevertheless, the proposed accommodation to Marxism is persuasive to many



of the assembled cardinals. "Do not, my Brothers," says one, "do not lightly, or through fear, throw away the movement of two-thirds of humanity.... What good is there in Marxism, you ask? I answer: what good is there in your Christianity? For Marxism shares much with true Christianity. Communism seeks the integration of individuals with the group; so do genuine Christians. Communism holds that the economic system of production and distribution of goods and services has an essential importance for the life of the group, its culture, its humanism, its beliefs; so do genuine Christians. Communism says that it was bourgeois capitalism, blessed and fomented by the Church, which developed the usurious character of capitalism from which all the ills of our world have flowed—poverty, malnutrition, wars, colonialism, slaveries, drug traffic, fascism, dictatorial regimes; so do genuine Christians.... Bourgeois man with his oppression, his godliness, his anarchy, is hateful to communists; he is also hateful to genuine Christians." In this and numerous other passages we see the pro-accommodation forces recommending Marxism, not as a necessary evil, but as a worthy moral ideal.

The main reason put forth by the pro-accommodation forces, however, is bluntly pragmatic: the Soviet Union is now the dominant military force in the world and is expected to install puppet governments throughout Western Europe and elsewhere. The Church cannot survive and be its enemy; it must make a final "courageous leap" and accommodate itself to that enemy. During the debate on this issue, secret documents are read concerning Communist plans for the world's future—and, to cap it all, a secret communi-

cation from Moscow containing the offer of a quid pro quo. The USSR makes certain requests of the Vatican: (1) it must refrain from making any explicit anti-Marxist statements in official documents and pronouncements; (2) it must avoid condemnation of "liberation theology" and of any country's Communist affiliations; (3) it must increase the number of open diplomatic contacts between the Vatican and the USSR and its Eastern satellites; (4) it must discontinue any Vatican backing for right-wing regimes, especially in Latin America. In return for these concessions, the USSR will sanction the restoration of the Catholic hierarchy in Baltic countries and other satellite nations, ease up on anti-religious laws and stop excluding Catholics from government jobs and academic life, and require the Russian Orthodox Church to submit to the Vatican as the central governing body of the Church.

With the very survival of the Church at stake, the Soviet offer is extremely tempting to the assembled cardinals; the urge to survive is very strong. Many believe that in the process the avowed communism and atheism of the USSR will be tempered and that in the end the Vatican will win. But other cardinals remain bitterly opposed.

The drama of argument and counter-argument continues, but the book ends before the reader learns what decisions the cardinals reach.

The author, a former Jesuit professor in Rome, with a doctorate in Semitic languages and Oriental history, and a close friend of the late Pope John, clearly knows in minutest detail what he is talking about when he discusses church history, theology, church politics, and church sociology. On international relations, he has thousands of little-known facts at his fingertips, though whether the "secret documents" revealed in the book are genuine or part of the fiction is not divulged in the book itself. His projection for the future of the Catholic Church ("The Church is finished") will disturb most people much less than his dismal projections for the future of Europe and the world. Whether or not one accepts that view, the book contains many insights on policies one should or should not adopt in a world populated by increasingly hostile powers—for example, when to compromise and when not to. The book is filled with high drama. There is no sex, no romance, no physical combat—only the clash of wills with opposed ideologies behind them, and it is tremendously exciting reading for anyone interested in the future of the world, whether or not he is also concerned about the future of Catholicism.

The chief defect of the book, it seems to me—not necessarily of the author, but at least of the characters he portrays—lies in the realm of economics. Capitalism is never really defended by any of the contending parties; that it is a "system of exploitation" is never questioned. Conservatives among the cardinals do not defend it; they only avoid the issue by asserting that the Vatican should be devoted more to spiritual than to temporal well-being; the "progressives" and "radicals" hold that only a socialist egalitarian society can fulfill men's economic needs, and the opposition never questions this.

Specifically, it is not clear, first, what the word *capitalism* is used to mean in the mouths of the characters. Most of the "capitalist nations" (such as the United States) criticized in the book are semi-socialist. What is erroneously called state capitalism is apparently included in what the book refers to as capitalism. Second, none of the characters in the book appears to see the connection between the vaunted "social benefits" desired (welfare, guaranteed minimum wage, social security, guaranteed health benefits) and the police State that arrests, interrogates, tortures, and exiles to labor camps. Not one appears to realize that the State that doles out welfare can also withhold it for political reasons and that the benefits themselves are bought at the prohibitive price of liberty and autonomy. Nor, third, do any of the characters, in their pleas for the alleviation of world poverty, appear to be aware that, to the extent that they would have governments impose economic equality, to that extent they are (in effect, if not in intention) bringing down upon their heads equality of poverty and destitution.

The terrors of the totalitarian State are vividly brought home to the reader of this book. But that same reader, if he has not previously read any free-market economics, could also, for anything the book tells him to the contrary, conclude that socialism is the only system that will enable the poor of the world to have bread.

The book contains revealing and compelling descriptions of the recent past; possibly, but hopefully not, it also contains descriptions, dismal but hard-nosed and scholarly, of the present or the near future; but it gives no sound *pre*scriptions for how the terrors that are envisaged in it can be avoided.

John Hospers, professor of philosophy at USC, is a REASON contributing editor.

The Governmental Habit

By Jonathan R. T. Hughes
New York: Basic. 1977. 260 pp. $11.95.

Reviewed by Alan Reynolds

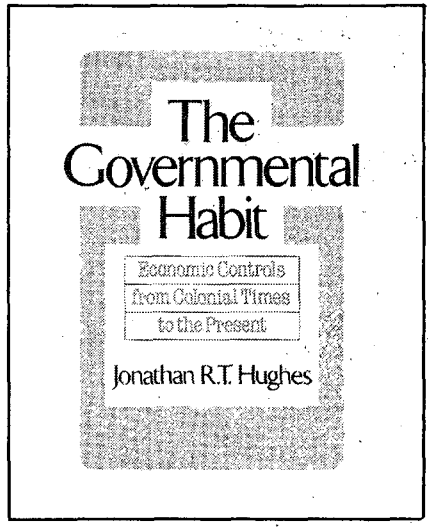
This is perhaps the strangest mixture of brilliance and nonsense since Forrest McDonald's *Phaeton Ride*. Not until the last chapter was it clear that the brilliance would, on balance, win out.

The book jacket comes with profuse praise from the economic historian Douglass North and the novelist John Kenneth Galbraith—two men whose views on the appropriate degree of government intervention in the economy are about as different as possible. The apparent paradox is quickly resolved in the first chapter, where Hughes writes that "the federal nonmarket control structure is a half-way house, without the virtues of either economic planning or free-market economy." Neither a planner nor a free marketeer could be entirely unhappy with such diplomatic ambiguity.

But Hughes doesn't really view "economic planning" as a serious alternative. He offers copious illustrations and juicy quotes to prove beyond reasonable doubt that the encroachment of government regulation has been more or less continuous throughout US history and that it has been uniformly disastrous.

Colonial America adopted large chunks of the "economic planning" apparatus of medieval England, including compulsory labor for "vagabonds," controls on prices and interest rates, monopoly franchises for ferries, toll bridges, inns, and breweries, and, of course, a government monopoly on counterfeiting.

In the period of continental expansion, the narrative gets bogged down in a discussion of uncertain relevance about how land was distributed. But we also learn something about the notoriously incestuous relationship between the government and the railroad and canal builders, and also about the lucrative practice of licensing professional and business monopolies.



On the subject of banking and money,

Hughes comes closest to praising government control. He describes the period when we had no central bank, from 1836 until the Civil War, as an "utterly chaotic currency system." There were two financial panics, two decades apart, and one depression. But prices were remarkably stable from 1840 to 1860 (not downward, as Hughes suggests); employment and real output doubled; and the US economy absorbed one and a half million potential victims of the Irish potato famine. It wasn't too bad a performance, and it would be hard to find two decades of central banking experience that have been more tranquil.

After the panic of 1907, writes Hughes, Congress "had probably seen enough of the gold standard's automatic workings." Another low blow. The main source of the brief 1907 panic was a scramble for liquidity (currency on the part of the public, reserves on the part of banks) due to some dubious investments of Knickerbocker Trust. Gold had almost nothing to do with it. Friedman and Schwartz even use 1907 as an example of how thousands of bank failures in 1929-33 should have been avoided.

Hughes has other curious ideas about money and inflation: "Wages and prices tend to rise when money is plentiful. Both situations are favorable to the interests of manual workers, farmers and debtors in general. Those who lend money, on the other hand, are favored if prices and wages are stable or falling." Inflation in wages and farm prices is obviously not favorable to workers and farmers unless it exceeds the inflation in the prices they pay—which is rarely true for long. The largest net debtors are governments and corporations, and they benefit from inflation only if it has not been expected (and therefore not incorporated into interest rates).

The historian's view of the actual workings of antitrust law are far more realistic than the popular view, which simply assumes that good intentions produce good results. In practice, the US antitrust tradition has, as Hughes indicates, "implied that competition leads to monopoly, so too much competition... must be forbidden."

There are, however, several instances of a fast-and-loose approach to issues that deserve more thought. We are told that the 1918 Webb-Pomerane Act was the cause of the OPEC oil embargo, but not told how or why. We are told that "corporate concentration" has become "astonishing," but not told whether it has increased (it hasn't) or whether it has any significance (it doesn't). We are told that the decline in the number of US farmers since 1936 caused the global food shortage in 1973, but not told that the farm output per farmer soared in that period.

When he gets to the New Deal, Hughes leans safely on ancient slogans instead of evidence. The depression is variously described as "a consequence of World War I," "a malfunctioning of American capitalism," or the consequence of "the indifference, folly, cynicism, hypocrisy, and morbid pessimism of the Hoover government." There isn't an ounce of explanation in any of this.

"If the New Deal failed to end unemployment," says Hughes, "it was for lack of muscle, not lack of movement." How about a lack of brains? You don't end unemployment by restricting farm output and world trade, raising wage rates, cartelizing banking and industry, and boosting taxes every year or so to finance leaf-raking exercises. The federal jobs programs, says Hughes, "put money into circulation." But all they really did was move money from productive to relatively unproductive uses. It is flatly untrue that "the millions of unemployed and poverty-stricken thus supported were the human consequences of market procedures and decisions." They were the consequences of federal monetary, fiscal, trade, and regulatory policies.

Hughes is moved by good instinct and bad theory. Like Hoover and FDR, he confuses wage rates per hour with total wages received and therefore argues that "further wage reductions hardly seemed a practical solution to the collapse of consumption expenditures."

Moving into recent decades, Hughes argues that the combination of income tax withholding and the link between federal budget deficits, money creation, and inflation means that "inflation makes deficit spending self-financing via progressive income tax schedules." The result is an ever-increasing share of income going to Uncle Sam. So far, so good. But the author tries to blame the growth in government on "military procurement," without mentioning that the share of the budget going to defense has fallen from 58 percent in 1955 to 24 percent today, and over 58 percent of that money goes for salaries, not arms.

The final chapter blossoms beautifully, arguing that unchaining the private sectors offers "the only real possibilities of cost-reducing innovations that could raise real output enough to offset the inflationary tendencies of the spending and control policies of the federal government." But Hughes is trapped by his dismal theme that "the nonmarket controls came into existence because, put bluntly, Americans distrust capitalism in its purest form" and "To some extent the system we have, then, was imposed upon us by 'history.'"

If the existing system of taxes and controls accurately reflected what most people really want, and their wants really were determined by history, it would be virtually impossible to reverse the recent destructive impulses. But that explanation requires a powerful faith in the outcome of political processes as constituting the revealed preference of the majority, plus an unsavory dose of historical determinism. The importance of ideas, power, and the self-propelling momentum of bureaucracy are not so easily ignored.

By and large, this is a fascinating volume, revealing one more scholar's partial disillusionment with the proliferation of bureaucratic interferences with personal and economic freedom. The author's remaining illusions flaw particular passages but do not undermine the general theme that piecemeal government supervisions over the years have now accumulated into an iron net holding back any further economic progress.

Alan Reynolds is a contributing editor and columnist for REASON.

Gods of Aquarius

By Brad Steiger
New York: Harcourt Brace Jovanovich. 1976. 264 pp. $8.95

The UFO Enigma

By Donald H. Menzel and Ernest H. Taves
Garden City, N.Y.: Doubleday. 1977. 297 pp. $8.95.

Reviewed by Robert Sheaffer

To understand the UFO phenomenon, says Brad Steiger, you must first comprehend the "secret": "reality is plastic." "The universe is malleable.... that which is simply imagined by one man may, after becoming widely publicized, actually materialize."

This passage from *Gods of Aquarius* neatly sums up the "alternate reality" theories that are rapidly winning in the competition with "serious" investigators of UFO's and the paranormal. Collective myths *become* reality, it is asserted, merely by virtue of their widespread acceptance. (A myth, as defined by the noted UFO scholar Gordon Creighton, is something that is "truer than truth.") Perhaps the earth *really was* flat during the Dark Ages? UFOs as nuts-and-bolts alien spacecraft are quickly passing out of favor: "paraphysical" and "meta-logical" are frequently heard descriptions of UFOs today.

The popular UFO press is filled with Brad Steiger, explaining at length what he terms "the reality game": UFOs fail to make sense merely because our logic is too

hidebound, too analytic to encompass them. Steiger has been most successful in bringing down to the rank-and-file UFO believer the currently fashionable crackpot ideas that were previously found only in the more pretentious UFO books. The coming age of UFOs promises us nothing less than the "transformation of man," says he—a greening far greener than even Charles Reich dared promise. Not only will telepathy and mystical healing work wonders, but the UFO age promises unlimited free lunches as well:

> free primary energy will run the world. No one can put etheric force into a wire and sell it....No one can confine it within storage tanks and demand money for it. Every one is going to have energy to do the world's work without pollution and without financial price.

Why deregulate oil or invest money in energy exploration when all the energy we could possibly desire will soon be available through nonphysical channels?

Much of *Gods of Aquarius* consists of the most banal prattle about psychic contact with the beneficent "space brothers," and many pages are filled with the words of other UFO "researchers," a technique that permits author Steiger to further accelerate his already prolific output. No one can say Steiger has sacrificed quantity of writing for quality! Ten years ago this book would have been laughed off the shelves even by the hard-core UFO believers. Today, the book's success serves as an indisputable, objective measure of the rising tide of irrationalism in modern thought, an alarming barometer to show how far and how fast the cult of anti-science has risen.

Steiger allows UFOlogist Tom Bearden to have "the last word" in the book. (Bearden is the man who has elsewhere written, "All our present day science and logic are founded on three simple laws—Aristotle's three axioms of logical thought. With some struggle I found a fourth law, which contained the negation of each of the other three.") Bearden contributes some mumbo-jumbo about the human race as a "servomechanistic complex" plunging "exponentially toward resonance and biospheric explosion," due to unchecked technology and competition.

There remains one, and only one, way to avert disaster:

> to link the brains of all men into one giant superbrain....This linkage must be accomplished technologically by creating and installing a system of direct communications links between all men's brains...[the] brains integrate and merge into one being, one ego, and one personality. Thus linkage admirably ends the destructive competition between the formerly separated brains.

Seldom has the anti-individualist position been so directly stated. But it should come as no surprise to find that, having rejected reason, personal autonomy must also follow. Those who tend to view occult irrationalism as a harmless aberration need to give more thought to the matter: should the world-view of Steiger and Bearden prevail, it would mean the end of all hope for a rational society in which the rights of the individual are inviolate.

Fortunately, in *The UFO Enigma* we have a powerful antidote to the rising tide of irrationalism. The late Dr. Menzel was one of the foremost astronomers of our age. Dr. Taves is a respected psychiatrist and former "parapsychologist" whose experience in both fields adds valuable insight and perspective. In this book we find many classic "unsolved" UFO cases dissected—some for the first time—clearly revealing the weakness of the "evidence" for UFOs that Steiger and others take for granted. The book also does a good job of revealing the forces that work in favor of promoting the "mystery" of UFOs: the pro-"paranormal" bias of the sensation-hungry media and the quasi-religious fervor that blinds the UFO believers to any evidence that does not support their preconceived position.

The book is not without its faults. Menzel was an irascible man, his writing sometimes given to pontificating. Certain explanations of UFOs that interested him (most notably, meteorological optics), but can account for only a miniscule number of reported sightings, were greatly overemphasized. Nonetheless, *The UFO Enigma* is an extremely valuable book, good reading for everyone who seeks to do battle with the promoters of trendy occult irrationalism. Can any man or woman of reason afford to turn away from such a battle—and risk losing by default?

Mr. Sheaffer is a systems analyst and free-lance writer and a member of the Committee for the Scientific Investigation of Claims of the Paranormal.

The French Atlantic Affair

By Ernest Lehman
New York: Atheneum. 1977.
468 pp. $10.95.

Aside from writing brilliant screenplays (*West Side Story, The King and I, The Sound of Music, Who's Afraid of Virginia Woolf?* and others) and winning six Writers Guild awards and six Academy Award nominations, Ernest Lehman is a "ham."

Not that he isn't very much a professional, but he is one of some 325,000 amateur radio operators in the United States (K6DXK). *The French Atlantic Affair,* his first full-length novel, promises to be a bestseller and on the movie screens before a year is passed. Lehman weaves in amateur radio, giving it a suspenseful role as the sole (and secret) means of communication between a pirated French luxury liner and the folks back home. The object: to discover the identities of 174 conspirators among the 3,000 passengers in time to prevent a disaster.

Only a "ham" could have made the radio sequences as fully authentic. The jargon, the propagation conditions, the equipment referred to, and even the not-so-tolerant wifely attitudes toward amateur radio are worked into the plot in a thoroughly "amateur" way by a true professional. Technically, one could fault Lehman only for his brief and fleeting reference to interference with a closed-circuit TV system by a commercial transceiver well-known to be "clean" in its design.

There is almost continuous action of one kind or another throughout the story. As most novels must these days since "R" and "X" movies draw the crowds, there is also almost continuous action in various bedroom environments ranging from the hotels of Paris to the staterooms of the *S.S. Marseilles,* the 65,000-ton liner that has been taken over by the villains. One such encounter is even late at night on the "sun deck" just before the female is pushed overboard.

Lehman has managed to convey lucid insights into the emotional disturbances, lusts, libido, and motivations of his characters, but it is rare that they become so involved in the action that they cannot take time to disrobe for some bed exercises. Much of Lehman's descriptions of these encounters, in this reviewer's opinion, detract from the central plot and would be more effective on a more subtle level. Most mature readers, given only the suggestion, can conjure imaginary sequences that are possibly more explicit and interesting.

But the bureaucratic reactions to a ransom demand for $35 million in gold, to the takeover of a ship, and to the requests for help from distant computers in analyzing the situations reported over the clandestine radio are typically realistic, typically conditioned by each official's experiences and motivations, and brilliantly suspenseful.

The French Atlantic Affair has been selected by the Literary Guild and by the Playboy Book Club, the latter presumably because of its seamier side. It is not recommended for juvenile reading (mature adults, please!), but it is engrossing and well done. You'll have trouble putting it down, so be prepared for at least an eight-hour escape, depending on your reading speed, once you start it!

—R.W. Johnson (W6MUR)

movies

• Heaven Can Wait • Omen II • Eyes of Laura Mars

• When a remake of *Heaven Can Wait* was announced some months ago, I shuddered, thinking, "Who can possibly match the marvelous comic film of that name done by Ernst Lubitsch in the '40s?" But it turned out that this was not to be a remake of *Heaven Can Wait*, but of *Here Comes Mr. Jordan*, an even more inimitable comedy of the '40s—a fact whose discovery merited two shudders.

The 1978 **HEAVEN CAN WAIT** is one of those films you can enjoy much more if you haven't seen the infinitely superior film it imitates, which starred Robert Montgomery, Claude Rains, James Gleason, and best of all had at the helm the directorial genius of Alexander Hall. The present version is smooth, deft, adequately scripted, and with genuine comic touches; Warren Beatty (star, producer, codirector, and cowriter), Julie Christie, Jack Warden, and James Mason all do creditable jobs. But the style, the flair, the élan, the aplomb, the low-keyed philosophically enigmatic quality of the original have all largely vanished in the retelling.

There is one moving scene in the remake, in which the dead athlete (Beatty)—in a new body, owing to a divine error in taking him at the wrong time—tries to convince the trainer (Warden) that he really is the same Joe Pendleton who died in the accident some weeks before. He ultimately convinces him by misplaying the same notes on the saxophone, just as in the original film. This is the only scene that even approaches the effect of the original; all the rest are crude and flat by comparison—and this in spite of the fact that the present remake is one of the year's best films. What this illustrates is not that the present film is a poor one—far from it—but that the original was one of the greatest comic-dramatic achievements in the history of cinema. If you don't believe it, write or phone your local theater or television station and ask them to show *Here Comes Mr. Jordan* again, *uncut*, and you can then make the comparison for yourself.

One unpleasant addition in the present film is the Beatty politics: all industrialists are bad, and the problems they create by exploiting other people can be corrected by indiscriminate humanitarianism that would alienate the stockholders and ultimately bankrupt the company. But this theme is not intrusive and is a relatively minor flaw in a film that is flawed principally by comparison with its illustrious predecessor. But then, it's difficult to top perfection.

—John Hospers

• The devil-child Damien is up to the same deviltry (literally) in **OMEN II** as he was in its predecessor, *The Omen*. But by now his exploits have become predictable, and he's unwilling or unable to change his style.

Several mistakes are made in *Omen II* that were not made in its predecessor. Most important, in the first film the situation develops as seen through the eyes of the major characters (Gregory Peck and Lee Remick), and it is because we care about what happens to them that the film engages us. In the sequel, the character portrayed by William Holden as the child's uncle is so uninvolving—and such an unsuspecting idiot besides—that it is hard to care what happens to him.

Second, the child is no longer Evil Incarnate: part of the time, he is only an unknowing vessel through whom malevolent forces move. Though he was actively engaged in deviltry in *Omen I*, he is apparently unaware of his malevolent powers till halfway through *Omen II*—a curious lapse in continuity. As a passive instrument of evil he even elicits a certain sympathy, which has to be cancelled out again in the audience's mind in the second half when he takes on an active role in causing successful catastrophes, always with the same smug grin.

Anyway, the kind of thing he does is now familiar and no longer surprising. A viewer may be interested in *how* it happens, but *that* it's going to happen is a foregone conclusion: for example, that every character who suspects the truth will soon turn up dead. (Not only that, but to belabor the obvious there is also a Symbol—and the dogs in *Omen I* were far more sinister as symbols of evil-to-come than the tired black bird in *Omen II*.) In fact, some of the devices are closely parallel: whereas the man who made the decisive difference in convincing the main character of the truth in *I* got himself decapitated, his analogue in *II* is crushed between two moving boxcars in a railroad terminal (where for some strange reason he chose to walk). The deaths are equally grisly, but they have a very unequal impact on an already inured audience.

That sequels seldom come up to their predecessors is so familiar as to be a cliché. But clichés would not become clichés unless they contained a large germ of truth. In this case, the cliché applies with a vengeance. A little more imagination in the harum-scarum department, even in the hokum sector, would have helped to keep this film from being the bore that it is.

But Damien still lives at the end of *II*, so it seems that we are to look forward to *Omen III*. Evil is still abroad in the land, it seems. So what else is news?

—J.H.

• E.S.P. is definitely in; it seems that every third film one sees these days features clairvoyance, telekinesis, precognition, or some other form of psychic phenomenon. Fortunately, the form it takes varies from film to film so that the diet does not become wholly monotonous.

What is monotonous, however, is that in every current film of this kind the persons who claim extra-sensory powers are always right, and those who oppose them are blind or mistaken but don't realize their error until too late. So it is once more in **EYES OF LAURA MARS**, which stars some of the most capable people in the business (Faye Dunaway, Tommy Lee Jones, Brad Dourif), who are much better in this film than the material they have to work on.

The material begins promisingly: she "sees" a series of murders before they are committed, but (1) only immediately before, so there's no time to stop them (which is unfortunate for prevention), and (2) as seen through the killer's eyes, so that she never gets to see the killer himself (which is unfortunate for detection). Granting these premises, the film has some interesting moments, but collapses long before the end. Aristotle said of plots that the end-result should be both surprising (at the time) and inevitable (when viewed in retrospect). Many films and stories fail on one of these counts, but few fail on both; this film, however, manages to do just that. The identity of the killer is not surprising, since the intelligent viewer can figure it out in advance by a process of elimination. Yet even so it does not seem inevitable, since the details that are supposed to make it plausible (but don't) are revealed only in the last couple of minutes, and are of such a nature that if true they make a mishmash of much that has gone before. The plot ends in a *deus ex machina*, the most unsatisfying of endings. If you feel cheated at the ticket window, you'll feel cheated a second time when the film ends.

—J.H.

America is #2, and fading.

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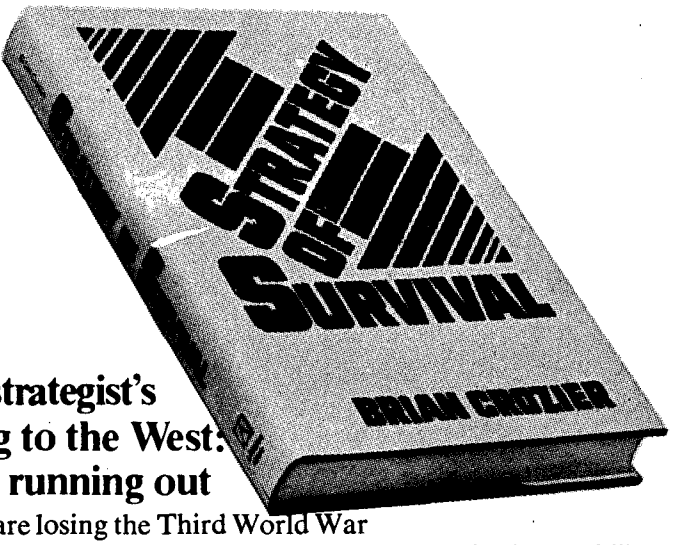

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letters

(Continued from p. 10)

superb in every respect—pithy and to the point; solidly grounded in fact and perfectly balanced between fact and opinion; fair, restrained but magisterial in the allotment of condemnation where condemnation was due; and written in sparkling English withal!

Arthur Shenfield
Berkshire, ENG

Bumper Cars

"Billion Dollar Bumpers" [March] prompts me to write about a personal experience. Last year, I needed to buy a station wagon that would hold 7 or 8 people. Most station wagons hold 5 or 6. I wanted to buy a small car for reasons of economy and safety. I have had two near-misses that would have been crashes if my car had been larger. Further I wanted to buy a foreign car for reasons of safety. It has been my experience they handle better and give added protection in case of hazardous situations.

I investigated all cars I could locate that would hold 7 or 8 people. I rejected all American-made models because mileage was poor (under 16 mpg) and because the handling just didn't compare with what I was used to. This left only two options: the Citroen and the Volvo. Volvo station wagons were running around $10,000 at that time, or roughly $4,000 more than some American models—more than many Americans can afford.

Citroens, I discovered, have several unique safety features, and are regarded by many people "in the know" as the safest car on the road. For example, the unique hydraulic system and related features cause very high stability—if a wheel leaves the road, it has no effect on steering at all! Likewise, Citroens have unbelievable traction under adverse road conditions and are totally unaffected by the LOSS of one wheel. Further, the braking system is the best I've seen for stopping the car on a dime.

I discovered Citroens are no longer imported because of the bumper standard, 215, and some lesser reasons. I fully understand why the manufacturers refused to redesign the bumper, because the engineering problems involved in doing so without destroying the other safety features border on the impossible.

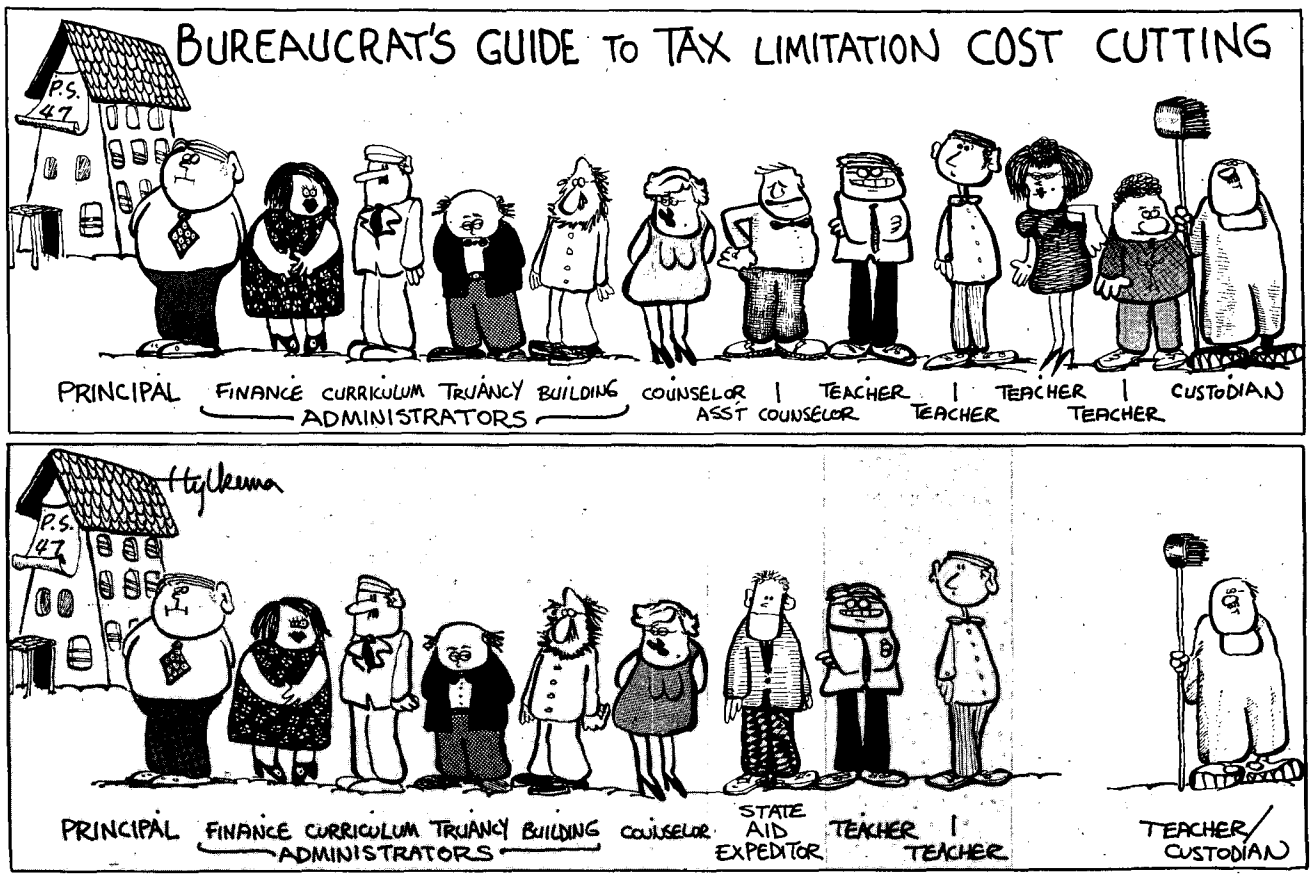
Being more fortunate than most Americans I could afford to buy a Volvo, and I did. It has been a nice car to drive, don't get me wrong. But I can't help but wonder what I'm missing by not having had the option of buying the Citroen. And I can't help but feel a deep, burning anger at a government that prevented me from buying "the safest car on the road," all in the name of safety!

Pat Goltz
Tucson, AZ

Setting Records

Yours is the only magazine I have ever subscribed to for more than a year at a time. It is an excellent product and you deserve congratulations.

D. C. Jones
Los Angeles, CA



FREE MARKET PERSPECTIVES

Editor: Alexander P. Paris

ANOTHER CREDIT CRUNCH AHEAD?

PROFIT FROM THE CONTINUING CREDIT CRISIS

A few years ago, Alexander Paris shocked the business and investment worlds with his best-selling book, *The Coming Credit Collapse*. He vividly documented the key destructive role that years of excessive debt creation plays in our growing international and domestic economic problems . . . the rundown financial condition of our banks, corporations and individual consumers; accelerating price inflation; rising interest rates; devaluations; increasing volatility and risk in all markets; wildly gyrating currencies and much more.

Mr. Paris continues to monitor these financial trends, reporting monthly in *FREE MARKET PERSPECTIVES*. Whether you invest in real estate, common stocks, bonds, commodities, currencies, gold or any other investments, you will greatly benefit from each issue of *FREE MARKET PERSPECTIVES*.

FREE MARKET PERSPECTIVES is for the long-term investor who likes to make his own decisions . . . the investor who does not want to be bothered by the many short-term and emotional cross-currents in the daily news and in most investment newsletters. *FREE MARKET PERSPECTIVES* is for the investor who wants to know and understand the overall investment climate rather than being misled by increasingly volatile and treacherous short-term trends. It is the only newsletter that regularly tracks the secular economic trends by their vital credit signs while fitting short-term trends into proper investment perspective.

A RECORD OF SUCCESS

As Mr. Paris predicted in his book, there was another in the series of increasingly serious credit crunches. That credit crunch triggered the worst recession and deepest bear market in postwar history. The recession led to a scramble for liquidity as many banks and corporations . . . both large and small . . . fell into bankruptcy! There were many other adverse effects all predicted in Mr. Paris' study of underlying credit trends. These problems are not over.

THE CONTINUING FINANCIAL CRISIS

Unlike the belief currently held by many investors and businessmen, the possibilities of another even more serious crunch, a total credit collapse or runaway inflation have not disappeared. In fact, another credit crunch of potentially greater magnitude is nearer than most people realize. During the 1975 recession, the worst of the postwar era, the growth of credit was far faster than during any other recession in history. Credit growth accelerated even faster in 1976 and again in 1977. The prospects for runaway inflation and a credit collapse accelerate along with the rapid growth in borrowing. By understanding credit conditions, you'll be able to greatly increase your investment profits. *FREE MARKET PERSPECTIVES* gives you Alexander Paris' insight into the credit markets . . . insights you need to profit in the current complex times.

LITTLE PUBLICIZED FACTS

- Consumers are plunging back into debt at even faster rates than in the past.
- Banks are finding new ways to put lower quality loans on their books:
  - Auto installment loans are now commonly 48 months compared to 36 months only a few years ago.
  - California banks are aggressively seeking to loan homeowners money on their inflation-bloated home equity.
  - The average maturity of bank loans outstanding is still growing.
  - Most of the highly publicized bad loans of a few years ago are still on the books of banks despite the fact that they are in default.
- Corporate loan demand is again rising strongly even after two years of record bond financing.
- We may be on the brink of a farm sector credit collapse.
- Stock market debt is at an all time record high.
- The rapid and unrestrained growth of Eurodollar credit continues to accelerate with American bankers leading the way.
- Lesser developed countries are over their heads in debt to world bankers with little or no chance of repayment.
- Eastern Bloc countries . . . including Russia . . . have run up billions of dollars of debt to U.S. banks in the last few years.
- Worldwide, the supply of money and credit is again strongly on the rise even while price inflation is still in double digits in some European countries and wage and price controls are present in most.
- The International Monetary Fund and other international agencies are preparing huge inflationary bail-outs of weaker countries.

It's obvious that the long-term financial deterioration of the U.S. and other economies is continuing. It is affecting your current investments and will be even more important in all your future plans.

FREE MARKET PERSPECTIVES
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P.O. Box 471
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SPECIAL REPORT—*FREE*

Subscribe today, either for a full year or a two-month trial and receive a Special Report giving a complete and timely update of the domestic and international credit conditions with projections of future trends.

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ANNOUNCEMENTS

SUPPORT LIBERTARIAN CAMPAIGNS! Orange County has four candidates: Paul Beaird for Congress, David Bergland for State Senate, Jim Gallagher for Assembly, Bernie Perra for Assembly. Contributions of $100-$50-$25—Whatever—put to good use. Please send checks payable to above campaigns to P.O. Box D, Huntington Beach, CA 92648.

BRANDEN IN SEATTLE September 9th. Spend "An evening with Dr. Nathaniel Branden" for the benefit of the candidates of the Libertarian Party of Washington State. For information call Patricia Artz (206) 852-0585 or reserve your seat by mailing $10.00 to L.P. W.S., 1436 Elliott Ave. W., Seattle, WA 98119. AN INTENSIVE IS COMING IN FEBRUARY.

BOOKS

NEW TITLES: The Ultimate Foundation of Economic Science by **Ludwig von Mises**—$4.95/$15.00; The Inflation Crisis and How to Resolve It by **Henry Hazlitt**—$10.00; The Machinery of Freedom by **David Friedman**—$10.00; A Time for Truth by **William Simon**—$12.50. All postpaid. Also available—free catalog of over 700 books. Laissez Faire Books, Dept. R10, 206 Mercer St., NY, NY 10012.

DEFENDING THE UNDEFENDABLE by Walter Block. "Controversial!" "Startling!" "Illuminating!" Special price: only $8.95! *Moneyback guarantee*, if unsatisfied. Or send for free brochure. Fleet Press, Box 2R, BK, NY 11235.

"SURVIVAL/DEADLY COMBAT/Self-Defense/Wilderness Living/Guerrilla Warfare"...Books, manuals...Latest catalog, $1.00. Ken Hale (R-100), McDonald, OH 44437.

COUNTERFEITING information. Photocopy and off-set. "Blue Book on Counterfeiting." Illustrated. $2.95. RJM, Box 1051, Winters, CA 95694.

BUSINESS OPPORTUNITIES

LIMITED PARTNERSHIP OFFERING: $20,000 operating capital sought for combined investment advisory service, stock trading, income tax work, and retail sales of TRS-80 based securities trading software. Libertarian general partner supplies 18 years experience in the three fields and partially equipped office. S.E.C. registered investment advisor, soon to be tax practitioner. Limited partners supply $5,000 minimum; return 50% of net. For details contact DAVID K. HOWARD, 111 Cleaveland Road #20, Pleasant Hill, CA 94523; 415/937-1030.

FINANCIAL

GOLD—WHY & HOW YOU CAN PROFIT from the coming boom. Complete report $3. SIMPEX, Box 17051, Portland, OR 97217.

FINANCING. Any amount. For any worthwhile purpose. Business, personal, educational, start ups, expansion, consolidation, inventions, venture capital, and grants. Full information $1.00. Gary S. Rea, 12012 Camelot Dr., Okla. City, OK 73120.

ANIMALS STORE FOOD—SHOULD YOU? New copyright booklet "Food as an Investment." Financial, economic, and technical information concerning this unique, no risk, inflation *and* deflation hedge - insurance. $2.95, Guin, Rt. 1, Flint, TX 75762.

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BEAT TAXES! Stop paying withholding, Social Security, property taxes. "TAX WARS" tells how! Details 25 cents. Eden Press, Box 8410-RT, Fountain Valley, CA 92708.

WHEN PUSH COMES TO SHOVE, head for the exit marked LAHLOE. To protect yourself during the nuclear war ('82?) or the depression ('84?) shouldn't you look into an "out"? Limited capacity: first come, first served. $1.00 brings details and a 45-day reservation from Lahloe-469, 6220 Ackel, Metairie, LA 70003.

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NEED NEW ID? Change name/age. Cover past. Get degrees, better jobs, new credit. Details 25 cents. Eden Press, Box 8410-RD, Fountain Valley, CA 92708.

FLATULENT? Read Ben Franklin's historic, long-suppressed essay of 1780 on (believe it or not) farting. Hilarious! Suitable for framing. $3. "Franklin Essay," Box 69, Carrboro, NC 27510.

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SERVICES

LIBERTARIAN PSYCHOTHERAPIST and psychoanalyst practicing in the Boston area. Individual, couples, and group therapy available by appointment. Call Douglas Weipton, M.D., 731-0681.

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MOVING? With over 9,600 member real estate firms nationwide, RELO/Inter-City Relocation Service offers many free services: information packets about your new area, realtor contact, planned home tours with airport pickup, and advice on pricing, listing, and selling your present home. For immediate response, write to Edward Schultz, Wallace and Wheeler, 924 Bellevue Way N.E., Bellevue, WA 98004. Please include your telephone number.

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THE CLASSIFIED AD DEADLINE FOR THE DECEMBER ISSUE IS OCTOBER 1, 1978.

"Self-esteem comes from refusing to live lies"...

SELF-ESTEEM AND THE ART OF BEING — A forty-hour Intensive Workshop conducted by DR. NATHANIEL BRANDEN. Its aim: to enhance the level of the participants' self-esteem and thereby to enhance the capacity for creativity and love.

For most of us the great, undiscovered continent is the internal world of private experience. Our greatest problem is self-alienation — loss of contact with who we are, what we feel and what we know. The exercises and processes of the Intensive allow us to re-discover the self we have lost. We experience the clarity and freedom that emerges when we are ready to know who we are — and to respect our own powers.

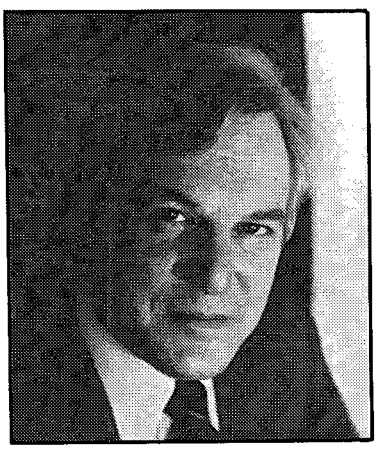
The values taught in the Intensive — through a variety of experiential learning situations — are self-awareness, self-acceptance, self-responsibility, self-assertion, and personal integrity. These are the requirements of a healthy self-esteem.

The importance of self-esteem

Self-esteem is the experience of being competent to live and worthy of living. The level of our self-esteem is the single most potent factor in determining our effectiveness as human beings, in the areas of work, love, and human relationships generally.

Most of us know that we are not living to our potential. We would like to feel less tense, confused, frightened and guilty — and more alive. We sense within ourselves the capacity for greater creativeness and greater happiness in romantic and family relationships than we have ever experienced.

SELF-ESTEEM AND THE ART OF BEING aims at putting us in contact with our own highest possibilities. It operates in an atmosphere of warmth, respect, and great regard for human dignity.



Nathaniel Branden is the author of *The Psychology of Self-Esteem, Breaking Free,* and *The Disowned Self.* He is in private practice in Los Angeles, is Executive Director of the Biocentric Institute, offers training to psychologists, psychiatrists and other mental health professionals, and conducts INTENSIVES in major cities throughout the United States.

Learning to honor ourselves

"Self-esteem comes from refusing to live lies or to fake who we are," holds Dr. Branden. The distortion of our reality — the denial of our perceptions and feelings — begins in childhood. Fortunately, we do not have to be stuck there.

Most of us carry within us a good deal of buried childhood fear, anxiety and pain that obstructs our life as adults. Through confronting and re-experiencing these feelings we can learn to let go of them — to break free. We can accept the words of James Thurber: "Let us not look back in anger, or ahead in fear, but rather around in awareness."

Learning to hear — and love — the music inside of us

The art of being is the art of knowing and accepting who we are, at every moment of our lives. It is the art of awareness without denial or avoidance. It is the knowledge that we do not exist to fulfill anyone else's expectations or demands. It is the ability to relax into the fact that our lives are our own to live and that the responsibility for our happiness is ours to take.

Why the Intensive works

"It is not simply the nature of the experience, but the particular focus distinctive to Nathaniel Branden's work: his ability to create a world in which people feel it's right to be at their best; his focus on the fundamentals of our experience as human beings, our sense of ourselves and our desire to get the most out of life; his integration of our physical, emotional and intellectual selves; his knowledge that we grow by experiencing and that we need understanding of our experience for it to be clear and lasting; and the example he provides by the intensity of his own commitment to life."

Reason Magazine,
Dr. Cheri Adrian

Make the commitment to your own life

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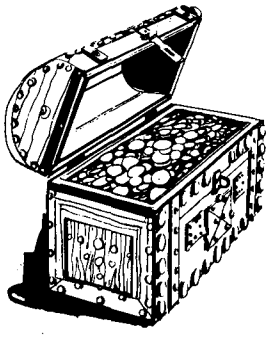
HOW TO TURN YOUR COMMON SENSE INTO WEALTH



Most investors no longer save, since they realize that money placed into a savings account is actually losing value because of inflation. However, they recognize a basic need to save. Coin-A-Month Plan answers this need, allowing a wise individual to purchase rolls of silver coins, or individual gold coins, such as a Krugerrand (or some combination of these) regularly each month. For your convenience, this can be charged to your VISA card or Master Charge card.

AN INTELLIGENT SAVINGS PLAN

Many people would like to have more gold and silver coins than they have today, but they experience difficulty in saving up the large amount of money necessary to acquire a full bag of silver coins ($1,000 face value) or a lot (20) of gold coins. Coin-A-Month Plan provides a method by which you can regularly, month by month, add a little bit to your precious coin savings. With the U. S. dollar continuing to become worth less and less, it could eventually become totally worthless, savings in the form of gold and silver coins makes sense, because it will protect one either in a runaway inflation or a depression. By adding a roll or two or three of silver coins to your holdings each month, over a period of time all of these raindrops will make you quite a puddle. Since these coins will be shipped to you each month, you have the independence of having them in your own possession.

HOW THE COIN-A-MONTH PLAN WORKS

It's all very simple. You fill in the application below and mail it to us. This authorizes us to monthly charge your VISA or Master Charge card for the coins that you want. (There is also a monthly billing plan available, and we will be happy to send you information on it.) On the tenth of each month we will, based on your authorization, charge to your VISA or Master Charge card the price that we pay for the coins, plus commission, shipping, insurance and charge card fee. The coins will then be shipped to you right away, by registered, insured mail. The commission varies with the amount of purchase. The larger the monthly orders, the less the commission.

CONVENIENCE AND NO DISCIPLINE REQUIRED

By charging these coins to your VISA or Master Charge card, in a sense you are turning plastic into gold. You are crediting your future with some of the fruits of your labors, before your funds are dissipated on all of the miscellaneous, fleeting expenditures that we all make. Most people would like to regularly add to their silver and gold coin holdings, but it's a bother to have to each month sit down and make a phone call, get a commitment, write a check, and so forth. Once you have begun your Coin-A-Month Plan, no further action is needed on your part. You simply receive a roll(s) of coins each month and pay for it with your regular credit card payment.

FOR YOUR PROTECTION

You can cancel this program at any time with no questions asked. Once we receive your written notice to cancel, no further charges will be made to your charge card and no further coins will be shipped to you. As a further guarantee of the authenticity of the coins, you can return the coins shipped to you within thirty days, and we will give you a full refund, excluding insurance and shipping charges. You can also change your order at any time, either increasing or decreasing the amount of coins that you receive each month.

THE PRINCIPALS INVOLVED

Jim McKeever, International Consulting Economist, is publisher of *McKeever's Individual Strategy Letter* and frequent speaker at investment and economic conferences around the world.

Richard Kindred, former law enforcement officer, authority on gold and silver coins, former sales manager for a large farm equipment company, agricultural consultant and survival expert, is president of Coin-A-Month Plan, Inc.

Typical Example of the Total Cost of the Coins as of July 1, 1978

	1 Roll Silver Quarters	3 Rolls Silver Quarters	10 Rolls Silver Quarters
Cost of Coins	39.00	117.00	390.00
Commission, insurance, Postage, handling	9.55	21.26	59.46
Total	48.55	138.26	449.46
Average Per Roll	48.55	46.08	44.94

Most wise people save 10 percent of their income. How much per month would 10 percent of your income be? After you determine this, then you can look across the table above and see how many rolls of silver quarters you should be purchasing each month for your savings plan. You can then indicate this number of rolls on the application and authorization form below.

TAKE ACTION TODAY

There is an old saying that: "Hell is full of people with good intentions." You may have read the information about this Coin-A-Month Plan and thought, "That's a great idea; I really should do it." We appreciate that and we're glad that you reacted in such a positive manner. However, unless you translate those good intentions into actions, you will miss the benefits and profits from the Coin-A-Month Plan. Therefore, we would like to ask you to fill in the authorization form below ***now*** while you are thinking about it.

SAVE GOLD COINS AND SILVER COINS THE EASY WAY — USE YOUR BANK CHARGE CARD

APPLICATION AND AUTHORIZATION

RM-01

Coin-A-Month Plan
P. O. Box 4689 • Medford, Oregon 97501
(503) 826-7773

YES . . . I hereby authorize Coin-A-Month Plan to draw a monthly sales draft on my Master Charge account number or VISA account number indicated below, to purchase and ship to me each month the amount of coins that I have indicated. I agree to pay the amount of such sales draft in accordance with my bank charge card agreement. It is understood that I can terminate this authorization at any time and it will be returned to me, or I can change the amount of coins being authorized.

Please send to me each month the following:

☐ _____ Rolls of silver quarters each month
☐ _____ Krugerrands each month
☐ Check box if you wish further information.

PLEASE PRINT
Name _____
Address _____
City _____ State _____
Zip _____ Phone (____) _____

PAYMENT

☐ master charge — Please charge to my Master Charge account # _____
(MASTER CHARGE Please enter 4-digit number printed above your name on charge card) ☐☐☐☐

☐ VISA — Please charge to my Visa account # _____

Expiration Date of Credit Card ☐☐-☐☐

_____ _____
Signature of Cardholder — Date Signed